

ASSESSMENT

19 April 2021

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Contacts

Francis Wissman +1.212.553.2808
 VP-Senior Analyst
 francis.wissman@moodys.com

William Fricke +1.212.553.4586
 VP-Sr Credit Officer
 william.fricke@moodys.com

Luisa De Gaetano +1.212.553.3847
 Associate Managing Director
 marialuisa.degaetanopolverosi@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Shellpoint Mortgage Servicing - Servicer

Shellpoint Servicer Quality Report

Assessments

On February 18, 2021, we upgraded Shellpoint Mortgage Servicing (Shellpoint) prime servicer assessment and special servicer assessment to SQ2- from SQ3+.

Servicer assessments

Primary servicer of prime residential mortgage loans	Upgraded to SQ2-
Special servicer of residential mortgage loans	Upgraded to SQ2-

Related ratings

New Residential Investment Corp. (corporate family)	B1 rating
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Summary opinion

The upgrade of Shellpoint's SQ assessments is mainly driven by improvement in the company's financial stability component as well as above average performance for default metrics.

Servicer strengths

- » Tenured senior management team.
- » Expertise in both performing and non-performing loans.
- » Automation through technology and process improvements.
- » Dedicated portfolio management and analytics team.
- » Focus on COVID-19 regulatory compliance with targeted Quality Control and Internal Audit exams.

Servicer challenges

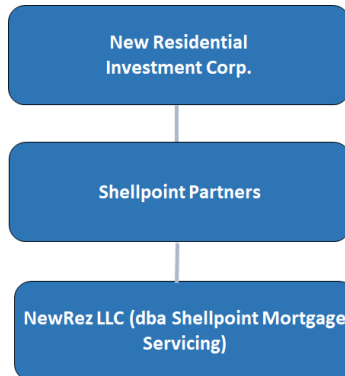
- » High level of regulatory scrutiny, similar to other servicers in mortgage servicing industry.
- » Growing 90+ delinquency volume due to COVID-19 forbearance plans.

Servicer description

Shellpoint Partners was founded in 2010. The company acquired New Penn Financial, an originator of agency and non-agency mortgage loans, in June 2011. It then acquired Resurgent Mortgage Servicing (renamed Shellpoint Mortgage Servicing) in 2014. For purposes of licensing and accounting, Shellpoint Mortgage Servicing was set up as a separately managed "dba" of New Penn Financial. In July 2018, Shellpoint Partners was acquired by New Residential Investment Corporation. In January 2019, New Penn Financial rebranded itself as NewRez LLC (NewRez). The company has two servicing divisions, one for conforming loan servicing and the second for third-party clients and delinquent loan servicing.

Exhibit 1

Corporate organization



Source: Moody's Investors Service, based on data and information from Shellpoint

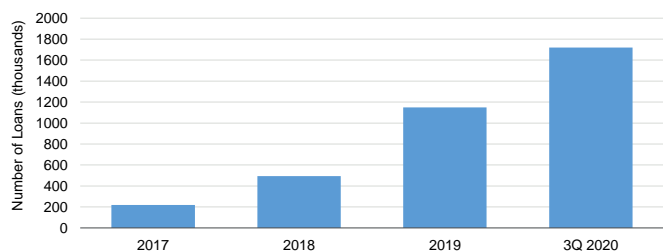
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

Servicing portfolio

Exhibit 2, shows Shellpoint's servicing portfolio as of September 30, 2020: 1,719,275 loans (excluding REO) with an unpaid principal balance of approximately \$282.9 billion. This reflects continued growth for the servicing portfolio from the prior review. Exhibit 3, shows an increase in 90+ day delinquent loans mainly due to COVID-19 forbearance plans.

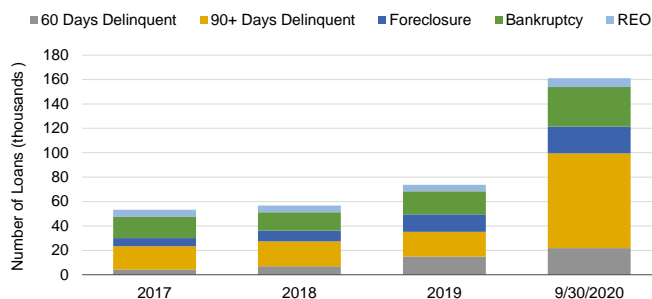
Shellpoint has segregated its portfolio between conforming loan servicing for its parent (New Residential) and delinquent loan servicing for third-party clients. The company services a bifurcated portfolio consisting of a flow of newly originated loans from NewRez and portfolios from third-party clients. The company's strategy is to continue to grow its portfolio by increasing its volume of both performing and special-servicing loans.

Exhibit 2
Servicing portfolio excluding REO



Source: Moody's Investors Service, based on data from Shellpoint

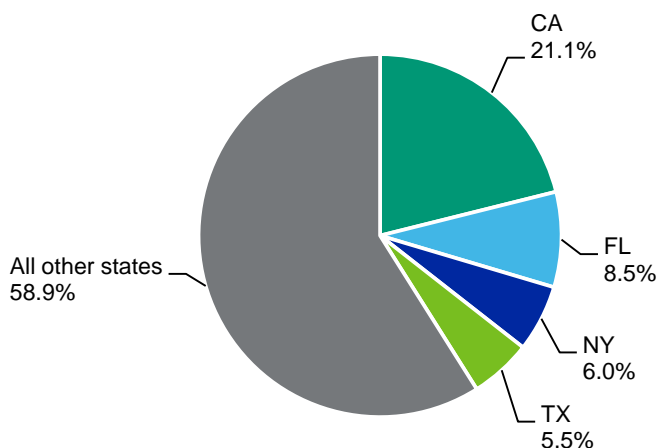
Exhibit 3
Servicing portfolio
By delinquency



Source: Moody's Investors Service, based on data from Shellpoint

The servicing portfolio's highest geographic concentrations are in California (21.1%), Florida (8.5%), New York (6.0%) and Texas (5.5%); no other state exceeds 5%, by unpaid principal balance, as shown in Exhibit 4 (below).

Exhibit 4
Servicing portfolio
Geographic distribution by unpaid principal balance



Source: Moody's Investors Service, based on data from Shellpoint

Detailed assessment

Overview

We view Shellpoint's collection abilities as above average. The company's collection performance metrics were above average compared to peers. The company continued its expansion of alternative borrower-contact strategies, including virtual hold technology and chat capabilities. Shellpoint uses a robust proprietary behavioral scoring model on all loans monthly. The company has dedicated portfolio management and analytics teams for performance monitoring. Although call-center metrics for the company were stressed in the second quarter of 2020 due to COVID-19, the metrics normalized during subsequent months.

We view Shellpoint's loss-mitigation abilities as above average for prime and average for special servicing. Shellpoint uses a comprehensive, proprietary system for evaluating loss-mitigation options, tracking documents and monitoring workout timelines. The company successfully implemented self-service options via their website and IVR for borrowers requesting assistance due to COVID-19. In addition, the company created personalized educational videos to help borrowers affected by COVID-19.

We view Shellpoint's foreclosure and REO timeline abilities as above average. Shellpoint enhanced their bankruptcy monitoring process and foreclosure dashboard reports by adding more granular information. The company implemented a foreclosure-sale postponement team, which improved foreclosure-sale timelines. During the review period, loans in foreclosure and REO were placed on hold to comply with regulatory moratoriums related to COVID-19.

We view the company's loan administration function as above average. This component assessment is based on solid loan-boarding and document-management practices. During the review, the company automated custodial bank-account reconciliations and successfully implemented investor-reporting changes due to COVID-19.

We view Shellpoint's servicing stability as average. The stability assessment incorporates New Residential Investment Corp.'s (New Residential) corporate family rating of B1. The outlook for New Residential was revised to stable from negative during the review period. Shellpoint has an experienced senior management team and continues to invest in technology. During the review, the company implemented targeted quality-assurance testing, including forbearance set-up and deferment processing for borrowers affected by COVID-19.

Key assessment factors

Component	Assessment	Driver
Loan Administration	Above Average	<ul style="list-style-type: none"> » Solid loan boarding and imaging practices. » 84% of portfolio is escrowed. » Implemented investor COVID-19 reporting requirements.
Collections	Above Average	<ul style="list-style-type: none"> » Collection roll rate metrics were above average. » Implemented self-service options on website and IVR for borrowers affected by COVID-19. » Use independent monitoring of customer-service and collection calls.
Loss Mitigation	Above Average Prime Average Special Servicing	<ul style="list-style-type: none"> » Increased staff to manage volume of COVID-19 workouts. » Independent audits of all loss-mitigation decisions. » Robust loss-mitigation web portal including ability for borrowers to upload documents and track application status.
Enforcement	Above Average	<ul style="list-style-type: none"> » Placed loans on foreclosure hold due to regulatory and investor moratoriums. » Solid pre-foreclosure review process. » Timeline performance was above average compared to peers.
Servicing Stability	Average	<ul style="list-style-type: none"> » New Residential Investment Corp corporate family rating is B1. » Enhanced compliance and operational risk department. » No Regulation AB findings in 2019. » Majority of servicing staff working remotely.

Loan administration

Opinion

We view Shellpoint's loan administration abilities as above average. The company continues to enhance their loan boarding process, with additional audits improving data quality. Shellpoint's payment processing includes a mobile application and electronic payment reminder notices. Third-party clients have access to real-time data via a proprietary investor portal. During the review, the company successfully implemented investor reporting changes due to COVID-19.

Updates

- » Enhanced data-transfer quality reviews.
- » Automated the bank reconciliation process using Cashbook system.
- » Streamlined the remittance process with new treasury management system.
- » Implemented personalized escrow-analysis homeowner videos.
- » Enhanced GNMA reporting with Early Buyout Tool.

Payment processing

- » Cash management group uses Servicing Director's customer service module to update and review payment history, notes, payment amounts and related information.
- » Fifth Third website is used for scanning customer payments, correspondence, and stubs for making deposits and for viewing scanned documents. Fifth Third is also Shellpoint's lockbox provider.
- » Payment-processing team operates in a secure, limited-access area with camera surveillance throughout.
- » Approximately 69% of monthly payments are received via ACH (auto debit).
- » Uses text and e-mail payment reminders.
- » Mobile application enables borrowers to make payments and review account status.
- » Created second cash management team in Houston, TX.

Loan boarding

- » Receives a preliminary loan tape 30 days before each loan transfer.
- » Uses proprietary "RAIL" transfer tool for transfers.
- » Completed multiple transfers from over 100 servicers/originators and clients.
- » Successfully onboarded approximately 700,000 loans from Ditech Holding Corporation.
- » Uses a skip-tracing waterfall to gather contact information for hard-to-reach borrowers before loading data onto its system.

Document management

- » Conducts reviews to ensure all necessary documents are loaded onto the servicing system within three days of transfer. All missing documents are identified within 30 days of transfer.
- » Imaged correspondence with borrowers is available on agent desktops.
- » Automated reconciliation process between MERS and servicing system.

Investor reporting and bank reconciliation

- » Investor reporting group is located in Greenville, SC.
- » Uses Cashbook technology for daily bank reconciliations.
- » Clearing accounts are reconciled daily and custodial accounts monthly.
- » Reconciles 2,794 custodial bank accounts.
- » Proprietary "Insight" investor portal provides complete portfolio information and analysis to third-party clients. Investor portal includes real-time loan-level data and reporting.

Tax and insurance

Insurance	Outsources tracking of hazard insurance and force-placement of insurance to Proctor Financial Inc. (PFI). Notifies borrowers when their taxes and insurance have been paid.
Forced-Place insurance process	PFI sends out three letters and makes up to three attempts to contact the agent or insurance carrier when the insurance expires.
Taxes	Outsources tax-contract services to CoreLogic, which provides tax-delinquency reports for non-escrowed loans. CoreLogic provides general research, delinquency reporting, and tax payments on behalf of Shellpoint. Approximately, 84% of the portfolio is escrowed for tax and insurance.
Vendor management	Monitors tax and insurance vendors through on-site (or virtual on-site) visits, weekly calibration calls, exception reports, and monthly report cards.

Customer service**Opinion**

The company has a solid customer-service technology infrastructure, including proprietary website, call scheduling, language translation, and speech analytics. Although call-center metrics were stressed in the second quarter of 2020 due to COVID-19, the metrics normalized during subsequent months.

Updates

- » Enhanced website to include more self-service features and live chat.
- » Added new workforce management team.

Organizational structure

Structure	Agents are divided into two tiers, which: (1) handle basic customer service inquiries, and (2) handle written correspondence, qualified written requests and escalated calls.
Accounts handled	The call center handles inbound calls from borrowers who are fewer than 30 days delinquent.
Account allocation	The call center handles general customer inquiries, and calls can be routed based on agent skill levels.
Hours of operation	Monday through Friday, 8 a.m.-10 p.m. (EST) and Saturday 8 a.m.-3 p.m. (EST).

Customer service strategies

- » Call-center operations are in Greenville, SC and Houston, TX.
- » Collectors who work on outbound call campaigns also handle overflow of inbound customer-service calls.
- » Customer-service agents can transfer calls directly to the loss-mitigation team.
- » Complaint tracking system, Voice of the Customer (VoC), enables the company to track and analyze trends.
- » Ability for customers to schedule a call-back.

Phone and web interface

The Customer Service group handles the majority of customer calls through its automated self-service system, which includes IVR, speech application, and website.

IVR functionality

- | | |
|--------------------------------|---|
| » Retrieve account information | » Obtain escrow information |
| » Make payments | » Available in both English and Spanish |
| » Request forbearance | |

Website functionality

- | | |
|---|---|
| » Retrieve account information | » View escrow information |
| » Make payments | » Live chat |
| » Download loss-mitigation forms and upload completed forms | » Identify missing documents and upload completed loss-mitigation package |
| » Get status of loss-mitigation workout | » Set up and edit ACH information |
| » View and download statements and tax forms | » Request forbearance |

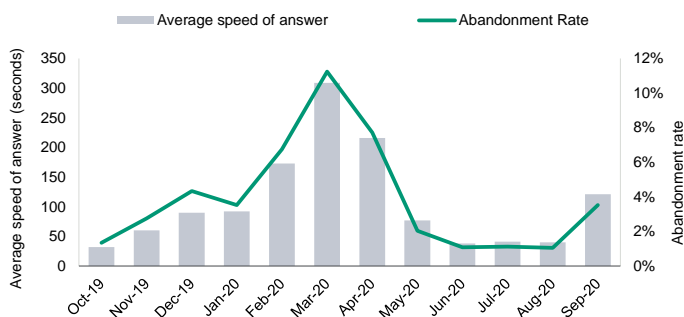
Performance management

Call monitoring	Ten calls per agent per month are monitored by dedicated quality- assurance specialist.
Call recording	Records 100% of inbound and outbound customer-service calls.
Agent oversight	Agents are monitored via monthly scorecards based on both quality and efficiency.
Incentive compensation	Call-center agents receive monthly incentive compensation for meeting both individual and team goals.

Customer-service call-center metrics

Exhibit 5 displays the customer-service call-center performance for Shellpoint from October 2019 through September 2020. The company's call-center metrics were elevated in 2Q 2020 due to COVID-19 call volume, but normalized in 3Q 2020.

Exhibit 5

Customer-service call-center metrics**Average speed of answer and Abandonment rate**

Source: Moody's Investors Service, based on data from Shellpoint

Collection management**Opinion**

We assess the company's collection abilities as above average. Collection roll-rate performance was above average. The company uses a comprehensive, proprietary behavioral-scoring model. The company continued to expand its alternative borrower-contact strategies, including virtual hold technology and chat capabilities.

Updates

- » Dedicated dialer support team for calling campaigns and reporting.
- » Created commercial and specialty collections team.
- » Implemented COVID-19 borrower-outreach strategy before forbearance plans expire; expiring including text, email, and phone.

Collection performance metrics

Exhibit 6 shows roll-rate analyses over a 12-month period from September 2019 to September 2020.

Shellpoint demonstrated above average roll-rate performance for both prime and special-serviced loans relative to peers.

Exhibit 6

Collection management static pool performance*

Status on start date	Current		30 Days		60 Days	
	Worse	Better	Worse	Better	Worse	Better
Prime	0.9%	73.7%	10.3%	71.8%	19.0%	71.8%
Special serviced	5.0%	62.4%	16.3%	65.4%	23.4%	65.4%

*Prime metrics are based on loans serviced for Freddie Mac and Fannie Mae.

Source: Moody's Investors Service, based on loan-level data from Shellpoint. COVID-19 impacted loans were not included in metrics: borrowers who were financially impacted by the pandemic and placed on a forbearance plan or monthly deferment plan, even if the borrower continues to make a monthly payment, while on the plan were not included in our analysis.

Organizational structure

Structure	Collectors handle outbound customer contact and inbound calls on accounts 1-2 payments past due. Collection staff are based in Greenville, SC and Houston, TX.
Account allocation	Collectors are divided by early-stage (1-30 days past due) and late-stage (31-plus days past due) delinquency. The Workforce Management team handles scheduling for call centers and staff forecasting.
Hours of operation	Monday through Friday, 8 a.m.-10 p.m. (EST) and Saturday 8 a.m.-3 p.m. (EST).

Collection strategies

Collections environment	Agents handle either inbound or outbound calls.
Outbound contact	Calls are prioritized using a proprietary customer scoring model based on past payment behavior.
Inbound contact	Inbound calls are routed based on agents' skill levels and the loan's delinquency.
Collections timeline	Outbound collection call campaigns begin as early as the third day of delinquency.
Tools	<ul style="list-style-type: none"> » Predictive auto dialer mixes campaigns and targets calling times to maximize customer contact. » Behavior scoring model used for calling campaigns. » Voiance translation solution. » Shellpoint Connection and Supervisor & Escalation line for agent support.
Options for borrowers	Collectors can offer three-month repayment plans to borrowers with short-term delinquencies. If collectors cannot reach a short-term resolution, they refer borrowers to loss mitigation associates.

Performance management

Call monitoring	Dedicated quality-assurance specialist monitors ten calls per agent monthly.
Call recording	Records all inbound and outbound collection calls.
Agent oversight	Uses monthly performance scorecard to monitor collectors.
Incentive compensation	Collectors receive monthly incentive compensation for meeting both individual and team goals, including call outcome and payment received.

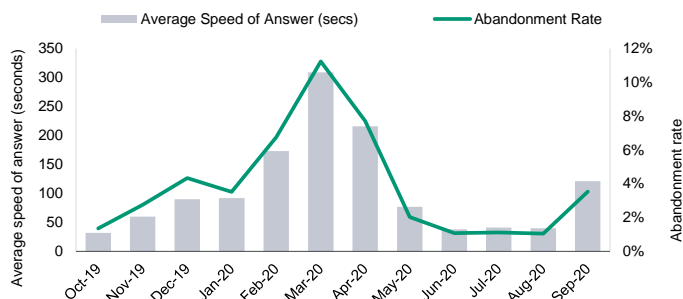
Collection call metrics

Exhibit 7 shows the collection call-center performance from October 2019 through September 2020. Collection call-center metric results were similar to that of customer-service with an increase in March and April due to COVID-19, but normalized during subsequent months.

Exhibit 7

Collection call-center metrics

Average speed of answer and Abandonment rate



Source: Moody's Investors Service, based on data from Shellpoint

Loss mitigation

Opinion

We view Shellpoint's loss-mitigation abilities as above average for prime and average for special servicing. Shellpoint uses a comprehensive proprietary system for evaluating loss-mitigation options, tracking documents and monitoring workout timelines. The company successfully implemented self-service options via their website and IVR for borrowers requesting help due to COVID-19.

Updates

- » Created personalized educational videos to help borrowers affected by COVID-19.
- » Website enhancements include ability for borrowers to apply and receive modification and deferral approval, based on application and investor guidelines.

Loss-mitigation performance metrics

Curing and re-performing loans that are seriously delinquent are metrics used to evaluate a servicer's performance.

Exhibit 8

Loss-mitigation static-pool performance

Status as of 30 September 2020 of loans that were 90-plus delinquent

	Total Cure [1]	Cash Flowing [2]	Modification Performing [3]
Prime	25.4%	28.0%	75.2%
Special serviced	15.5%	14.6%	66.9%

*Prime metrics are based on loans serviced for Freddie Mac and Fannie Mae.

[1] Includes current and paid in full

[2] Includes minor delinquency, repayment plans and modifications

[3] The metric measures the performance of loans that the servicer modified within the year prior to the start of the analysis period.

Source: Moody's Investors Service, based on data from Shellpoint. COVID-19 impacted loans were not included in metrics: borrowers who were financially impacted by the pandemic and placed on a forbearance plan or monthly deferment plan, even if the borrower continues to make a monthly payment, while on the plan were not included in our analysis.

Organization structure

Structure	The Loss Mitigation group consists of three teams: Frontline, Negotiating, and Fulfillment. Each team works on different stages of loss mitigation: <ol style="list-style-type: none"> 1. The Frontline team conducts outbound calls for late-stage collections at 61 days delinquent or imminent default. The team orders door knocks, performs skip tracing, and handles notifications and outbound calls. 2. The Negotiation team, comprised of single points of contact (SPOCs), evaluates loss mitigation options for borrowers, based on investor requirements and programs. 3. The Fulfillment team underwrites, books modifications, reviews denied modifications, and completes client settlements. Also, the team conducts pre-foreclosure and pre-sale reviews to determine if all loss-mitigation efforts were exhausted.
Account allocation	Loans enter the Loss Mitigation group at 61 days past due or earlier if imminent default is projected. Shellpoint assigns a SPOC to all accounts at the time of loan transfer/activation, but that SPOC does not become active until the account goes delinquent or expresses imminent default. The SPOC remains the borrower's sole point of contact through the foreclosure process. The loss-mitigation specialist also is the borrower's sole point of contact throughout the foreclosure process.
Hours of operation	8:00 a.m. to 9:00 p.m. (EST) Monday to Friday, and 8:00 a.m. to 1:00 p.m. (EST) Saturday.

Loss-mitigation strategies

- » Online loss-mitigation portal for homeowners includes application, document upload ability, status updates, and payment tracking; with ability to pay online.
- » Delinquent borrowers receive loss-mitigation solicitations on the 31st and 61st days of delinquency.
- » Uses door-knock service to deliver key documents and connect the borrower with their SPOC.
- » Uses proprietary Loss Mitigation System (LMS) to evaluate borrowers for relief options based on investor guidelines.

Loss-mitigation strategies - for COVID-19

- » Operations have various means to answer borrower inquiries for help, including call center, IVR (interactive voice response), email, text, chat, and website communication.
- » Uses call-back procedures to address high call-center volume.
- » Provides online form for borrower forbearance request.
- » Uses borrower surveys to better understand hardship reason and potential resolution options.
- » Enhanced call monitoring to weekly from monthly due to COVID-19 to ensure uniformity among agents.
- » Provides online loss-mitigation portal for homeowners to monitor forbearance period.
- » After forbearance period, loss-mitigation options are based on regulatory and investor guidelines.
- » As of December 2020, approximately 71,600 loans were on an active forbearance plan.

Loss mitigation options

Loss mitigation alternative	Type	Features
Modification	Proprietary, Investor	Offers various modification options; including investor and proprietary modification options.
Short sale	Proprietary, Investor	Short sales are based on investor guidelines.
Repayment and forbearance plans	Proprietary, Investor	Based on investor and regulatory guidelines.
Deed-in-lieu of foreclosure	Proprietary, Investor	The company actively pursues deeds-in-lieu.

Source: Moody's Investors Service, based on information from Shellpoint

Performance management

The incentive compensation program for loss-mitigation associates is based on individual achievements.

Enforcement: Foreclosure, bankruptcy, and REO timeline management**Opinion**

We view Shellpoint's foreclosure and REO timeline abilities as above average. Shellpoint enhanced their bankruptcy monitoring process and foreclosure dashboard reports by adding more granular information. The company implemented a foreclosure sale postponement team, which improved foreclosure sale timelines. During the review period, loans in foreclosure and REO were placed on hold to comply with regulatory moratoriums related to COVID-19.

Updates

- » Automated deferral and partial-claim processing.
- » Completed over 150 system enhancements.
- » Implemented OrangeGrid technology for real-time, web-based attorney scorecard.
- » Automated bankruptcy payment posting.
- » Created bankruptcy escalated case team to manage complex bankruptcy litigation.

Foreclosure and REO timeline performance metrics

One of the ways we evaluate a servicer's performance is through execution of default timelines on a state-weighted basis. The company's timeline results were above average for the review period.

Exhibit 9

Average Foreclosure-REO timeline information*

	Prime	Special serviced
Foreclosure Referral		
Average days from next payment to foreclosure referral	102	130
Foreclosure Referral to Foreclosure Sale		
Average days from foreclosure referral to foreclosure sale (excluding Freddie Mac timeline)	92	215
Real Estate Owned (REO)		
Average days a property is REO (excluding redemption)	324	270

* Prime foreclosure metrics are based on loans serviced for Freddie Mac and Fannie Mae.

Source: Moody's Investors Service, based on information from Shellpoint

Organizational structure and key processes

Structure	<ul style="list-style-type: none"> » Foreclosure and bankruptcy department is based in Greenville and Houston. » Foreclosure group is split by investor, state, and attorney firms. » REO group is separated into pre-marketing, marketing, and closing functions. » The bankruptcy group is split into three teams: 1) Claims team to file proofs of claim; 2) Servicing team to track key milestones; and 3) Legal team to handle motions for relief and all other litigation.
Pre-foreclosure review	<ul style="list-style-type: none"> » Members of loss-mitigation fulfillment team conduct a manual loan review before foreclosure filing, with a second review conducted by the default support team.
Account allocation	<ul style="list-style-type: none"> » Accounts are assigned to individual specialists based on investor and location.
Attorney and broker communication	<ul style="list-style-type: none"> » Uses Black Knight's LoanSphere, a rules-based automated system, to communicate with attorneys and track progress throughout the foreclosure process; uses a combination of LoanSphere, Servicing Director, and a proprietary system for default management. » Uses the Equator and Pyramid solutions to manage REO properties.
Attorney management	<ul style="list-style-type: none"> » Monitors its approximately 240 attorney firms every month using proprietary scorecards and monthly calls. The attorney network manager together with Shellpoint's external audit department handle attorney oversight.

Foreclosure

- » Assigns loans to timeline managers when loans are referred to foreclosure.
- » Refers loans to foreclosure at approximately the 120th day of delinquency.
- » Completes two independent pre-referral reviews before a loan is referred to an attorney for foreclosure filing.
- » Loss-mitigation and foreclosure managers meet regularly to discuss loans in foreclosure that have pending approval or have been approved for loss-mitigation plans.
- » Post-foreclosure review team performs quality-control checks.
- » Staff includes both attorneys and paralegals.
- » Maintains dedicated quality-assurance team to review foreclosure-sale bid amounts.
- » Uses proprietary scorecard to measure attorney performance.
- » Implemented attorney firm readiness surveys.

Bankruptcy

- » Uses outside counsel to file all bankruptcy documents.
- » Uses LexisNexis to monitor new bankruptcy filings.
- » Uses a comprehensive, proprietary bankruptcy case repository to track and manage borrowers who have previously filed for bankruptcy.
- » Uses OrangeGrid for workflow management.

REO

- » Managed in-house with overflow handled by two REO asset management companies.
- » REO manager maintains broker's and appraiser's license.
- » Offers cash-for-keys to avoid lengthy eviction process.

- » Conducts two independent valuations of each property, with a third valuation ordered if the difference between the initial two valuations is greater than 20%.
- » Two licensed appraisers on staff.

Servicing stability

Opinion

We view Shellpoint's servicing stability as average. The stability assessment incorporates New Residential Investment Corp.'s (New Residential) corporate family rating of B1. The outlook for New Residential was revised to stable from negative during the review period. Shellpoint has an experienced senior management team and continues to invest in technology.

Updates

- » Implemented targeted quality-assurance testing, including forbearance set-up and deferment processing for borrowers affected by COVID-19.
- » Internal audit plan for 2021 includes COVID-19 targeted audits.
- » Enhanced CallMiner speech analytics tool to include COVID-19 forbearance.
- » Change Management group reviewed and implemented a number of COVID-19 related regulatory/investor changes.
- » Switched to remote training due to COVID-19.

Financial stability

New Residential Investment Corp.'s (New Residential) corporate family rating of B1. Shellpoint is an indirect subsidiary of New Residential.

Management, staffing, and training

Shellpoint had 2,773 associates dedicated to servicing during the review. Shellpoint continues to add depth to its management as it grows its portfolio and servicing operations.

Exhibit 10

Shellpoint staffing by functional area

Functional area	Full-time staff	Part-time/contractors	Vendor staff	Offshore staff	Total
Customer service	307	0	26	0	333
Collections	243	1	0	0	244
Loss mitigation	740	0	138	0	878
Foreclosure/bankruptcy/litigation/REO/default	447	1	30	0	478
Loan administration	302	2	33	5	342
Technology	96	0	11	0	107
Oversight	218	1	33	0	252
Other	135	0	4	0	139
Total	2488	5	275	5	2773

Source: Moody's Investors Service, based on data from Shellpoint

Legal, compliance, and oversight

Quality assurance, quality control and compliance teams are part of the operations control and improvement group, while internal audit has a separate reporting structure.

Internal audit

- » Risk-based audits are conducted at least annually for high-risk areas.
- » The audit group reviews results of quality-control reviews and adjusts its audits accordingly.

- » Internal audit reports to New Residential board of directors.
- » Uses the TENA mortgage audit system.
- » Audit plan for 2021 includes targeted COVID-19 exams.
- » Proprietary "SPAR" tool is used for risk assessment and process improvement.

Compliance

- » Expanded compliance staff to Tempe, AZ during the review period. Now staff reside in three locations: Greenville, SC, Houston, TX; and Tempe, AZ.
- » Quality Assurance team resides within the Compliance group.
- » Uses AllRegs as alert system for regulatory changes.
- » Had no material instances of non-compliance in its Regulation AB attestation for 2019.
- » Change Management protocols include tracking, reporting, process updating, and implementing controls.

Quality control

- » Performs monthly process audits to ensure compliance with Shellpoint policies and procedures as well as regulatory requirements; also conducts daily, monthly, and quarterly workflow audits.
- » Performs independent call monitoring using CallMiner reviews, including speech-to-text conversion, and call-tone quality.
- » Monitors remediation plans and their effectiveness before closing open issues.
- » Holds monthly meetings with executive management to review audit results and remediation efforts.

Legal

- » Not currently involved in any material litigation.
- » Litigation and Compliance teams report to Shellpoint's president, as well as its corporate parent's legal department.
- » Staff of 30 is based in Greenville, SC.

Technology and disaster recovery

- » IT department in both Greenville, SC and Houston, TX.
- » Primary data center is in Greenville, SC; back-up data center is in Katy, TX.
- » Main servicing system is Servicing Director.
- » Conducts third-party system penetration tests annually.
- » Maintains back-up generators and UPS batteries at data center locations.
- » Successfully conducted its most recent disaster recovery test in August 2020.

Business continuity plan - COVID-19

- » Majority of servicing employees are currently working remotely (90%). Remote capabilities enable staff to access critical systems and key servicing information. Critical functions such as customer service, investor reporting, cash management, and borrower interaction are all done remotely.

- » Excess capacity to manage day-to-day business operations through multiple operations.
- » Technology supports large remote work force.
- » Implemented procedures to protect client/borrower information.
- » Cybersecurity program in place to protect systems.
- » Remote training and new-hire interviewing process implemented.

Key systems and applications

Application	Function	Source
Finastra Servicing Director	Core servicing system	Vendor
LoanSphere / Servicing Director / proprietary system	Default management system	Vendor/ Proprietary
LMS	Loss mitigation workflow and decisioning tool	Proprietary
Avaya	Telephone management system (IVR)	Vendor
OnBase	Document management system	Vendor
Insight	Investor web portal	Proprietary
LoanSphere	Foreclosure and bankruptcy tracking and communication	Vendor
Equator	REO management system	Vendor

Appendix: Moody's assessment definition for servicers and assessment scale

Servicer Quality "SQ" assessments are opinions on the relative strength of servicers in preventing defaults and maximizing recoveries for the loans they service. This framework describes our approach to assigning SQ assessments for the following four categories of residential mortgage loan servicers:

- » Primary servicers: servicers who interact directly with borrowers
- » Master servicers: servicers who oversee and manage primary servicers in Residential Mortgage-Backed Securities (RMBS) transactions
- » Government-sponsored reverse mortgage servicers
- » Private reverse mortgage servicers

Each SQ assessment is specific to a particular servicing role, which we define by reference to (i) the applicable category above, (ii) whether it constitutes special servicing, and (iii) for primary servicers, the type of mortgage loan. So a single servicer may have more than one SQ assessment.

SQ assessments range from SQ1 (Strong) to SQ5 (Weak) and signify the strength of servicers relative to other servicers performing the same servicing role in the same country. We may add a modifier of "+" or "-" on any assessment to further differentiate servicers within the relevant assessment level.

SQ assessments address the impact of servicers on the performance of the loans they service, not the absolute credit quality of the loans.

Moody's related research

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Assessment framework:

» [Servicer Quality Assessments for Servicers of Residential Mortgages, December 2019 \(1122183\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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