Shellpoint Mortgage Servicing

Servicer Report

Ratings

Residential Primary Servicer

Prime	RPS3+
Special	RSS3+

Rating Outlook

Stable

Related Research

U.S. RMBS Servicer Handbook: Servicing At A Glance (July 2018)

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Servicer Summary

Shellpoint Mortgage Servicing (SMS) was established in 1998 as a high-touch servicer specializing in distressed loans. However, in 2015, SMS began diversifying its servicing platform to include more performing loans and new product types. SMS operates from its primary servicing location in Greenville, SC and a second site in Houston, TX.

The company maintains a business relationship with Shellpoint Partners (Shellpoint), its parent/issuer, and New Penn Financial, LLC (New Penn), which operates a mortgage lending platform headquartered in Plymouth Meeting, PA.

Rating Summary: SMS' 'RPS3+' and 'RSS3+' ratings with a Stable Rating Outlook take into account New Residential Investment Corp.'s (NRZ) acquisition of Shellpoint and its business-related entities, which include SMS. The ratings also reflect SMS' ongoing investments in servicing systems and processes, well-managed growth and experienced management team, as well as the continued support from its parent. As of March 31, 2018, Shellpoint serviced approximately 215,000 loans totaling about $51.7 billion.

Key Rating Drivers

NRZ Acquisition: Shellpoint was acquired by NRZ in July 2018; this is expected to provide SMS continued growth opportunities and expansion of offered services. SMS demonstrated good operational stability throughout the merger period.

Systems Enhancements: SMS evidenced continued upgrades to its systems and processes. During the current review period, the servicer added new homeowner and client websites with enhanced features to provide more self-service functions. SMS also added a new telephony system that provides greater servicer flexibility and improved reporting and analytics.

Portfolio Growth: SMS has grown its servicing platform by over 20% over the past year, and, since April 2015, the servicing portfolio has doubled in size. The servicing portfolio is now approximately equally divided between pre- and post-crisis originations. In addition, SMS has expanded operations in both its Greenville and Houston locations, while adding several management positions.

Financial Support of Parent: Fitch Ratings does not publicly rate the credit and financial strength of Shellpoint or New Penn. However, Fitch's Financial Institutions group reviewed the financial statements to provide an internal assessment, as a company's financial condition is a component of Fitch's servicer rating analysis.

Experienced Management and Staff: Shellpoint has an experienced senior management team averaging over 19 years' industry experience and eight years' company tenure. SMS continues to recruit industry professionals to support its growth initiatives. The servicer maintains an effective recruiting, training and succession program.

Continued Performance in Light of Increasing Costs: Regulatory guidelines and related costs continue to be important factors as servicers aim to balance these requirements with the economics of their business.

Servicer Overview

Shellpoint Partners is a group of companies made up of New Penn (a national mortgage lender specializing in the residential real estate market), Avenue 365 (a national provider of title services to the real estate and mortgage industry) and E-Street Appraisal Management Company (oversees and manages a network of certified and licensed appraisers in 15 states).

New Penn is licensed to originate in all 50 states, as well as the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. The company offers conventional, government and portfolio loan programs through three different channels: call center, retail and wholesale.

The companies operate as vertically integrated residential mortgage banking entities with diversified revenue sources and capabilities. The companies do not provide any direct or indirect services to SMS' servicing operation.

Fitch believes SMS has effectively managed its growth and continues to make the appropriate enhancements to systems and procedures, staffing, recruiting and retention to meet its growth objectives. The servicer maintains a developed corporate governance structure and recruits experienced senior and middle managers.

Residential Loan Servicer Ratings

Fitch Ratings' Operational Risk Group provides ratings for primary (RPS), master (RMS), and special servicers (RSS). These ratings provide investors and other market participants with a clear indication of a servicer's performance and capabilities, which are evaluated using a standardized methodology. The residential servicer rating scale is summarized below.

Residential Servicer Rating Scale

Rating	Description
1/1–	Servicers demonstrating the highest standards in overall servicing ability.
2+/2/2–	Servicers demonstrating high performance in overall servicing ability.
3+/3/3–	Servicers demonstrating proficiency in overall servicing ability.
4	Servicers lacking proficiency due to weakness in one or more areas of servicing ability.
5	Servicers demonstrating limited or no proficiency in servicing ability.

Fitch's servicer ratings are used internally to augment the residential securitization model when assigning levels and credit enhancements. For more information on the review and rating process for servicers, see Fitch's "Criteria for Rating U.S. and Canadian Residential and Small Balance Commercial Mortgage Servicers," dated February 2017, available on Fitch's website at www.fitchratings.com.

SMS maintains two servicing locations, one in Greenvile and the other in Houston. The latter maintains staff who cover redundant functions, including foreclosure, loss mitigation, default support and customer service. The servicer does not utilize any offshore provider as part of its servicing operation and indicated it has no immediate plans to change this strategy.

Portfolio Summary

(As of March 31, 2018)	Amount ($)	% of Market[a]	No. of Loans	% of Market[a]
Non-Agency Loans	7,195,336,187	1.41	25,699	0.84
Agency Loans	23,474,864,490	0.64	115,563	0.53
Owned Portfolio	0	0.00	0	0.00
Third-Party Servicing	25,677,670,977	15.50	88,142	10.68
Other (Not Included in Above Categories)	0	0.00	0	0.00
Total Servicing Portfolio	56,347,871,653	1.04	229,404	0.76

[a]Market share based on Fitch-rated servicers.
Source: Data provided by servicer.

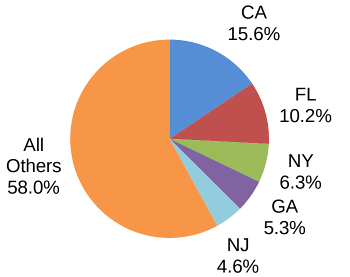
Related Criteria

Criteria for Rating Loan Servicers (February 2017)

Criteria for Rating U.S. and Canadian Residential and Small Balance Commercial Mortgage Servicers (February 2017)

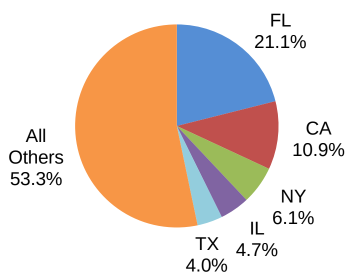
Rating Drivers

Total Servicing Portfolio Distribution by State
(As of March 31, 2018)



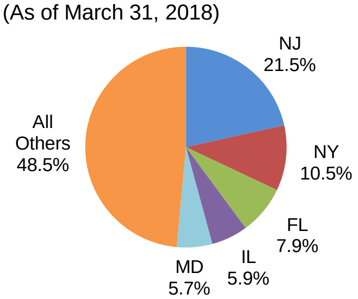
Note: Numbers may not add to 100% due to rounding.
Source: Data provided by servicer.

Distribution of Loans 90+ Days Delinquent by State
(As of March 31, 2018)



Note: Numbers may not add to 100% due to rounding.
Source: Data provided by servicer.

Distribution of Real Estate Owned Properties by State
(As of March 31, 2018)



Note: Numbers may not add to 100% due to rounding.
Source: Data provided by servicer.

NRZ Acquisition

In November 2017, NRZ announced that it entered into a definitive agreement to acquire Shellpoint Partners, LLC and its business units, including SMS. The acquisition was completed on July 3, 2018. SMS indicated that it will continue as a third-party servicer and expects no significant changes to either existing business relationships or within its executive or mananagement teams.

Fitch believes the NRZ acquisition should provide SMS with additional financing to contribute toward expanding SMS' servicing operation. NRZ will also be a source for attracting new loans and acquired mortgage servicing rights (MSR). NRZ is involved in several ongoing relationships with other servicers and related parties, which could affect the future growth of SMS. The final structure of the merged operations and its effect on SMS' servicing operation should become clearer over the course of 2018.

Systems and Technology Development

Shellpoint's technology has been effectively designed to disseminate portfolio information to clients, investors, trustees and other information recipients, as defined in servicing agreements. Shellpoint has evidenced continued technology investments and improvements, which should continue to strengthen its effectiveness in servicing RMBS transactions.

SMS has a dedicated servicing team of 16 full-time equivalents (FTEs) averaging over eight years of industry experience and five years' company tenure. The servicer utilizes Servicing Director, an industry-standard system, for its residential servicing functions and has several integrated proprietary systems to support the company's technology platform. SMS makes regular enhancements to its servicing system to meet regulatory and servicing obligations. During this review period, the servicer continued making enhancements to its telephony and web systems to increase self-service functions and improve borrower contact. Improvements include increased outbound/inbound agent blending, enhanced reporting and analytical features, payment processing and advanced call handling. Fitch believes that SMS' technology is adequate to meet the company's current servicing requirements.

The servicer indicated that all critical systems have real-time replication at its Houston location, with a full-time technology staff on hand for maintenance and disaster recovery assistance. The servicer's failover process is highly automated. The most recent disaster recovery test was completed in October 2017, with no material system changes required. Fitch believes that Shellpoint maintains an effective disaster recovery plan.

Portfolio Growth

Since April 2015, SMS has doubled its portfolio to approximately $56 billion while expanding its performing loan portfolio and remaining an effective special loan servicer. SMS is also working to balance the servicing of pre-crisis and recent originations. SMS has shown strong growth; it had diversified its portfolio at the time of the most recent review period.

SMS continues to make enhancements to its servicing, telephony and web systems, strengthening its corporate governance structure, expanding its Greenville and Houston facilities and proportionately increasing management and staff levels to reflect its growth.

Financial Condition

Fitch's review confirmed that the parent continues to invest in staffing, technology, system and risk management processes, and provided meaningful support to the servicing operation over the years. Fitch's financial review includes an assessment of the ability of the company to weather adverse market conditions, finance expansions and make capital investments as it focuses on sustaining and growing the servicing platform. Typically, servicers with an investment-grade credit rating will receive a higher score in the financial condition category of Fitch's review.

Fitch does not publicly rate the credit and financial strength of Shellpoint or New Penn. However, Fitch's Financial Institutions group reviewed the companies' financial statements to provide an internal assessment, as a company's financial condition is a component of Fitch's servicer rating analysis.

Experienced Management and Staff

A servicer's ability to effectively manage its portfolio and accommodate growth is contingent on the credentials of its management and staff.

SMS' senior management team averages 19 years' industry and eight years' company experience. Group and functional managers average 12 and 11 years of industry experience, respectively, and approximately four years of company tenure. The senior management team members held various positions at other mortgage companies, with some having previously worked together. SMS maintains a highly developed succession plan and focuses on providing ongoing specialized management training to meet corporate growth objectives.

As of March 31, 2018, Shellpoint had 882 FTEs, representing an increase of approximately 11% since March 31, 2017. The servicer maintains 1.1% temporary or contract employees, which is a reduction from the 3% level during the previous review period. SMS' voluntary turnover rate was relatively low, at 3.7%, and its involuntary rate was 12.5%. The combined turnover rate was 16.2%, representing an increase from 11% in the previous year, which is below the industry average. The servicer's staffing level is projected 90 days ahead of planned changes to platform needs. SMS had 277 new hires and 70 internal promotions during the last 12-month period under review and provided 130 hours of training for new staff and 30 hours for existing employees.

Fitch's onsite observations indicated that the servicer maintains stable and experienced staff across the servicing operation. Fitch believes SMS is effectively staffed and utilizes adequate recruiting, training and developmental training programs to manage its servicing obligations. The servicer's TRAIL program provides a two-year rotational leadership and development program for recent college graduates. The servicer also maintains adequate bench strength to meet its growing platform needs. Fitch will continue to monitor the servicer's staffing effectiveness as the company continues to pursue its growth initiatives.

Continued Performance in Light of Increasing Costs

The U.S. regulatory landscape for servicers has undergone significant changes over the past several years. Regulatory guidelines and related costs continue to be important factors as servicers aim to balance these requirements with the economics of their business.

SMS has demonstrated ongoing investments in regulatory compliance as it has grown its operation. The servicer maintains a staff of 62 FTEs dedicated to managing the company's compliance, customer complaints and inquiries, litigation, vendor management audit and quality control programs. SMS indicated that it focuses on compliance through proactively anticipating and mitigating operational, strategic and regulatory risk through a series of monitoring programs across each line of business.

Rating Sensitivities

Fitch's analysis incorporates a sensitivity analysis to demonstrate how the servicer ratings would react to material changes in the financial condition of the servicer. The implied rating sensitivities are only an indication of some potential outcomes and do not consider other risk factors that the servicer ratings may become exposed to, such as the servicer's ability to manage the serviced portfolio, material changes in the portfolio composition including rapid growth and/or deterioration in credit quality, and unanticipated regulatory actions or settlements.

The sensitivity analysis of the financial condition was conducted at two notches up and down from the internal credit assessment of New Penn. The financial condition analysis indicated that there is no potential rating migration that would occur with one or two notches of deterioration or improvement in the parent's financial assessment.

Servicer Metrics

Select Staffing Metrics[a]

(As of March 31, 2018)	Subject Servicer Provided Data	Fitch Assessment
% of Temp Staff (Including Contract)	1.13	Superior
% of Voluntary Turnover	3.67	Superior
% of Involuntary Turnover	12.53	Adequate
Training: 12-Mo. Avg. No. of Hours for Staff Members (Excluding New Hires)	30	Adequate
Training: 12-Mo. Avg. No. of Hours for New Hires	130	Superior

[a]Assessment based on collected data from Fitch-rated servicers.
Source: Data provided by the servicer.

Main Systems

Applications, Interfaces and Tools	Name	Vendor Product, Customized Vendor Product or Proprietary
Core Servicing	Servicing Director	Customized Vendor Product
Telephony	Avaya	Vendor Product
Collections	Avaya	Vendor Product
Loss Mitigation	SMS	Proprietary
Bankruptcy	Servicing Director	Customized Vendor Product
Foreclosure	Black Knight MSP	Vendor Product
REO	Equator	Vendor Product

Source: Data provided by the servicer.

Select Loan Admin. Metrics[a]

(%, As of March 31, 2018)	Subject Servicer Provided Data	Fitch Assessment
Suspense Items Aged 30+ Days	6.20	Strong
Misapplied Payment	0.00	Superior
Hold Time (Speed to Answer by CSR in Seconds)	60.94	Below Average
Abandonment Rate	3.90	Adequate

[a]Assessment based on collected data from Fitch-rated servicers. CSR – Customer service representative. Note: Metrics are for the most recent 12-month period.
Source: Data provided by the servicer.

Select Default Metrics[a]

(As of March 31, 2018)	Subject Servicer Provided Data	Fitch Assessment
Hold Time (Speed to Answer by CSR in Seconds)	76	Below Average
Abandonment Rate (%)	16.90	Below Average

[a]Assessment based on collected data from Fitch-rated servicers. CSR – Customer service representative.
Note: Metrics are for the most recent 12-month period.
Source: Data provided by the servicer.

Product Type: Prime

Delinquency Statistics — Prime

(Years as of March 31)	2016 Amount ($000)	2016 % of Amount	2016 No. of Loans	2016 % of No. of Loans	2017 Amount ($000)	2017 % of Amount	2017 No. of Loans	2017 % of No. of Loans	2018 Amount ($000)	2018 % of Amount	2018 No. of Loans	2018 % of No. of Loans
30 to 59 Days	31,501	3	88	4	26,217	3	66	4	52,239	3	103	4
60 to 89 Days	24,743	3	66	3	24,768	3	71	4	19,729	1	49	2
90+ Days	119,744	12	272	13	98,415	11	200	11	81,049	5	148	6
All Loans in Bankruptcy Status	99,487	10	238	11	74,961	8	165	9	52,605	3	115	4
In Foreclosure Status (Excluding Bankruptcy)	450,497	47	913	43	250,892	28	495	28	163,212	10	325	12
Subtotal	**725,973**	**75**	**1,577**	**73**	**475,252**	**54**	**997**	**56**	**368,833**	**23**	**740**	**28**
In REO Status	69,539	7	173	8	71,964	8	156	9	50,543	3	87	3
Total Delinquency	**795,512**	**82**	**1,750**	**82**	**547,216**	**62**	**1,153**	**65**	**419,377**	**26**	**827**	**32**
Total Non-Agency RMBS Prime Portfolio	968,309	—	2,147	—	884,060	—	1,771	—	1,625,900	—	2,617	—

REO – Real estate owned. Notes: Numbers may not add due to rounding. Data reflect the Mortgage Bankers Association method of delinquency reporting.
Source: Data provided by servicer.

Average 12-Month Delinquency Migration — Prime

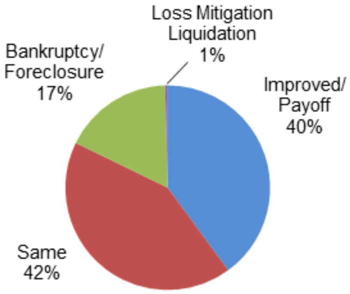
(% of No. of Loans, 12-Month Period Ended March 31, 2018)

		Status at End of Month										
Status at Beginning of Month	No. of Loans	Paid in Full	Current	30 Days	60 Days	90+ Days	BK	FC	REO	Charged Off	Service Released	Liquidated at a Loss
Current	1,882	0.1	97.5	1.3	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0
30 Days	88	0.2	33.8	46.4	18.9	0.4	0.1	0.0	0.0	0.0	0.2	0.0
60 Days	62	0.1	8.5	12.3	53.2	25.5	0.1	0.0	0.0	0.0	0.3	0.0
90 Days or More	187	0.1	2.4	1.0	4.1	86.9	0.4	4.8	0.1	0.0	0.0	0.1
Bankruptcy	139	0.0	1.2	0.4	0.1	1.5	91.6	5.2	0.0	0.0	0.0	0.0
Foreclosure	388	0.1	1.3	0.2	0.0	0.5	1.7	93.5	1.9	0.0	0.0	0.7

Source: Data provided by servicer.

Resolution of Non-Agency Prime Loans 60+ Days Delinquent Ended March 31, 2018

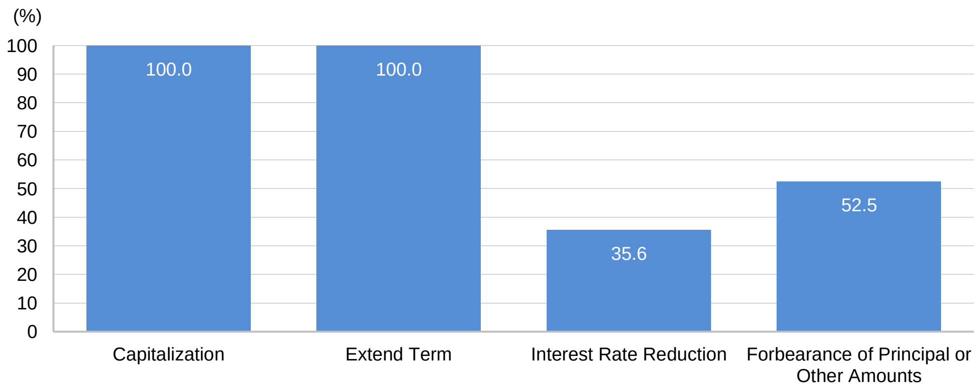
(Based on 253 Loans as of April 1, 2017)



Source: Data provided by servicer.

Modification Features — Prime

(As of March 31, 2018, Based on 59 Modifications)



Note: Individual loans may be counted with multiple modification features.
Source: Data provided by servicer.

Product Type: Special

Delinquency Statistics — Special

	2016				2017				2018			
(Years as of March 31)	Amount ($000)	% of Amount	No. of Loans	% of No. of Loans	Amount ($000)	% of Amount	No. of Loans	% of No. of Loans	Amount ($000)	% of Amount	No. of Loans	% of No. of Loans
30 to 59 Days	163,496	1	1,042	1	195,777	1	994	2	0	0	0	0
60 to 89 Days	72,208	0	411	0	125,832	1	639	1	0	0	0	0
90+ Days	59,102	0	313	0	125,109	1	616	1	10,153	0	144	0
All Loans in Bankruptcy Status	905,054	6	10,595	13	1,458,925	9	13,071	21	1,602,993	8	14,542	15
In Foreclosure Status (Excluding Bankruptcy)	1,288,981	8	5,064	6	2,924,608	17	12,004	19	3,372,746	16	14,424	15
Subtotal	**2,488,841**	**16**	**17,425**	**21**	**4,830,251**	**29**	**27,324**	**44**	**4,985,892**	**24**	**29,110**	**31**
In REO Status	0	0	0	0	0	0	0	0	0	0	0	0
Total Delinquency	**2,488,841**	**16**	**17,425**	**21**	**4,830,251**	**29**	**27,324**	**44**	**4,985,892**	**24**	**29,110**	**31**
Total Non-Agency RMBS Special Portfolio	15,543,044	—	83,823	—	16,782,809	—	62,393	—	20,873,802	—	95,298	—

REO – Real estate owned. Notes: Numbers may not add due to rounding. Data reflect the Mortgage Bankers Association method of delinquency reporting.
Source: Data provided by servicer.

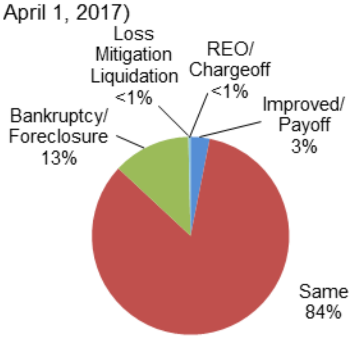
Average 12-Month Delinquency Migration — Special

(% of No. of Loans, 12-Month Period Ended March 31, 2018)

		Status at End of Month										
Status at Beginning of Month	No. of Loans	Paid in Full	Current	30 Days	60 Days	90+ Days	BK	FC	REO	Charged Off	Service Released	Liquidated at a Loss
Current	516	0.0	62.8	35.3	0.7	0.7	0.5	0.0	0.0	0.0	0.0	0.0
30 Days	475	0.0	8.6	33.4	56.2	1.3	0.4	0.1	0.0	0.0	0.0	0.0
60 Days	652	0.0	2.4	6.8	33.7	56.5	0.5	0.0	0.0	0.0	0.1	0.0
90 Days or More	13,379	0.0	0.3	0.2	0.9	95.5	0.3	2.7	0.0	0.0	0.1	0.0
Bankruptcy	3,195	0.0	0.1	0.0	0.1	2.1	93.3	4.3	0.0	0.0	0.1	0.0
Foreclosure	10,485	0.0	0.3	0.1	0.0	0.6	1.6	94.5	2.8	0.0	0.1	0.1

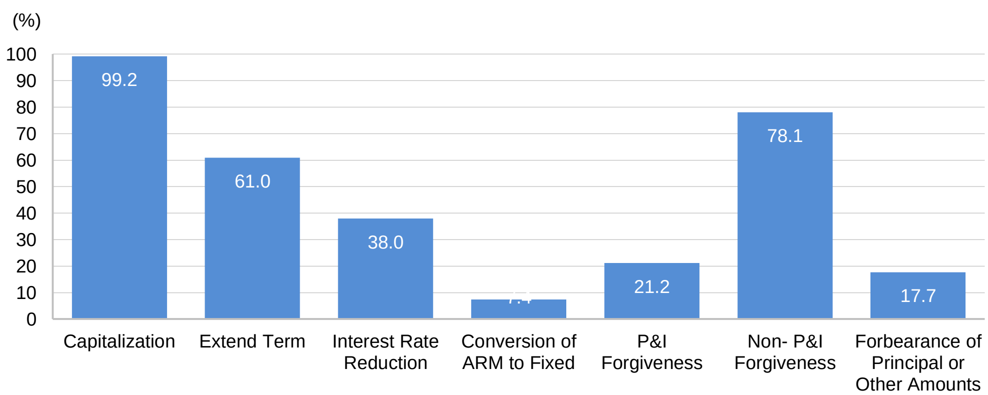
Source: Data provided by servicer.

Resolution of Non-Agency Special Loans 60+ Days Delinquent Ended March 31, 2018
(Based on 15,726 Loans as of April 1, 2017)



Source: Data provided by servicer.

Modification Features — Special
(As of March 31, 2018, Based on 661 Modifications)



Note: Individual loans may be counted with multiple modification features.
Source: Data provided by servicer.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.