

Shellpoint Mortgage Servicing ABOVE AVERAGE Residential Prime, Special Servicing Rankings Affirmed; Outlooks Are Stable

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OVERVIEW

- We affirmed our overall ABOVE AVERAGE rankings on Shellpoint Mortgage Servicing as a residential prime and special servicer.
- The company's prime and special servicing portfolios include approximately 200,000 loans, which is a 30% increase in loan count year over year.
- The outlooks are stable.

DALLAS (S&P Global Ratings) July 5, 2018--S&P Global Ratings today affirmed its ABOVE AVERAGE rankings on Shellpoint Mortgage Servicing (SMS) as a residential prime and special servicer. The outlooks are stable.

Our rankings reflect:

- An experienced executive management team that has remained constant.
- An established track record of executing its business strategy to grow the performing and special servicing portfolios at a measured pace.
- Management's expectation of no changes to its current business strategy following New Residential Investment Corp.'s acquisition, which was completed on July 3, 2018.

- A good control environment with multiple lines of monitoring and testing that continue to develop.
- Continued process enhancements with dedicated resources to evaluate and manage process improvement initiatives.
- Well-designed loss mitigation technology, including its website functionality, which could improve loss mitigation timelines.

SMS has maintained its commitment to high-touch special servicing, which is evidenced by its increase in loss mitigation staffing, technology investments, and creative outreach strategies. It also continues to develop its operational capabilities to efficiently manage a growing performing loan portfolio. Examples include its process improvement initiatives and self-service capabilities. We also note that the control framework continues to develop and season, and it is comparable to similarly ranked peers.

For special servicing, the company strikes a good balance of maintaining the high touch needed to handle distressed loans in a well-controlled manner using technology, as well as repeatable processes.

Since our prior review (see "Servicer Evaluation: Shellpoint Mortgage Servicing," May 3, 2017), SMS has made the following changes:

- Shellpoint Partners LLC, SMS' parent company, was acquired by New Residential Investment Corp. on July 3, 2018.
- Saw a 30% increase by loan count of its prime loan and special servicing portfolios during 2017. The number of servicing staff expanded by 15% during the same period.
- Redesigned its borrower-facing website with expanded self-service capabilities.
- Added new technologies, such as a loan boarding application to automate certain boarding processes and a new application to track collateral files.
- Enhanced its scoring model that determines when to begin calling a loan that becomes delinquent.
- Made organizational changes in foreclosure, including a new vice president to lead foreclosure and bankruptcy, a new dedicated foreclosure trainer, and a revamped new-hire training program for the foreclosure team.

The outlooks for both rankings are stable. The company has a good track record of growing its servicing portfolio while maintaining servicing performance. It also continues to invest to expand the control and operational infrastructure needed to accommodate a larger portfolio. We consider its servicing growth plans and strategic objectives, which management expects to be unchanged following New Residential Investment Corp.'s acquisition, to be methodical and reasonable.

The financial position is SUFFICIENT.

RELATED CRITERIA

- Criteria - Structured Finance - Servicer Evaluations: Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List, April 16, 2009
- Criteria - Structured Finance - Servicer Evaluations: Servicer Evaluation Ranking Criteria: U.S., Sept. 21, 2004

RELATED RESEARCH

- Select Servicer List, June 18, 2018
- Servicer Evaluation: Shellpoint Mortgage Servicing, May 3, 2017

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