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## Servicer Evaluation: FinSolutia S.A.

### **Servicer Analysts:**

Chiara Sardelli, London (44) 20-7176-3878; chiara.sardelli@standardandpoors.com

Beverley J Dunne, London (44) 20-7176-3957; beverley.dunne@standardandpoors.com

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# Servicer Evaluation: FinSolutia S.A.

## Ranking Overview

Servicing category	Ranking	Management and organization subranking	Loan administration subranking	Outlook
Residential mortgages special servicer in Spain	AVERAGE	ABOVE AVERAGE	AVERAGE	Positive
Residential mortgages special servicer in Portugal	ABOVE AVERAGE	ABOVE AVERAGE	ABOVE AVERAGE	Stable
Financial position	Sufficient	N/A	N/A	N/A

N/A--Not applicable.

## Major Ranking Factors

- FinSolutia has continued to expand its operations since our previous review and has been successful in gaining new servicing mandates. The company has moved into activities other than the special servicing of residential mortgages in Portugal and Spain and we expect that the diversification will not adversely affect its special servicing business.
- The company has created a more formal, and in our view, more robust internal controls environment with the appointment of an experienced internal auditor. We believe that this was a necessary step due to the business' recent growth. Our rankings assume that FinSolutia will maintain the controls and enhance them as necessary in future.
- The internal auditor oversees the company's risk management disciplines. The auditor began in 2014 and the company expects that these controls will be completed and implemented during 2015.
- FinSolutia has a sophisticated and scalable IT platform. The company has continued to invest in the enhancement of its capabilities. In our opinion, this is indicative of the strength of its operations.

## Opinion

Standard & Poor's Ratings Services has raised its overall ranking on FinSolutia S.A. to ABOVE AVERAGE as a special servicer of residential mortgages in Portugal. We have also assigned our AVERAGE overall ranking to FinSolutia as a special servicer of residential mortgages in Spain.

Our overall rankings reflect our view of the company based on the major ranking factors in our criteria.

## Key Changes Since Previous Review

- The Portuguese portfolio remained fairly stable in 2014, but the Spanish portfolio increased to €460 million from €45 million during 2014 (see tables below).
- FinSolutia's staff headcount has expanded in line with its portfolios, increasing to 76 employees at the end of October 2014 from 45 employees at the end of 2013. There was a total of 39 new hires in that period and eight leavers. The company expects staff numbers to continue to grow, most likely in Spain.
- FinSolutia appointed two internal audit staff, as it had planned. In our view, the company has enhanced its internal control disciplines since our previous review. The head of internal audit advises that the evolution of the controls will be ongoing and we propose to monitor this.

- FinSolutia has continued to invest monies and resources to improve its IT platform and this continued through 2014. The loan management system supports several tasks and it is fully integrated with other elements of the IT platform.
- Since our previous review, FinSolutia has requested that we withdraw our ranking of its master servicing operations in Spain. Evolving market conditions have meant that the company is now focusing on special servicing in Portugal and Spain.

## Outlook

The outlook is stable on our ranking on FinSolutia as a special servicer of residential mortgages in Portugal. The outlook is positive on our ranking on FinSolutia as a special servicer of residential mortgages in Spain. Since our previous review, the company has enhanced certain processes, most notably its internal controls. With further traction and progress in the positive resolution of loans, we could raise the Spanish ranking following our next review.

## Company Profile

FinSolutia is an independent multi-business company supplying a variety of services to support asset management, from portfolio due diligence to repossessed properties management. Its core business is the special servicing activity of residential mortgages in Iberia. In 2007, the company opened its first office in Lisbon and in 2009, it opened a second office in Madrid to generate business in the larger Spanish market.

FinSolutia's managing director (MD) owns most of the company's capital, while some senior managers hold minority shareholder stakes.

Company Overview	
Servicer name	FinSolutia S.A.
Date formed and name at incorporation	2007
Servicing staff (as of Oct. 31, 2014)	76
Servicing centers	2
Client types	Investment banks, high street banks, institutional investors, residential lenders, commercial lenders.

Although the Portuguese and Spanish branches manage assets independently within their own jurisdictions, they are part of the same company and share senior management teams, supporting functions such as human resources (HR), and apply the same best practices and procedures, as well as the same IT platform.

The company has implemented a new governance model, with the executive committee now assuming responsibility for the preparation of the company's business plan (BP) and thereafter the regular monitoring of it. The board of directors still approves the BP and therefore, in our opinion, it remains independent of operations. The company holds offsite management meetings twice a year for senior management, at which it debates strategy and consequently the BP.

FinSolutia continues to have an ambitious BP, particularly for Spain where it sees good opportunities for growth. By necessity the plan has had to be fluid as market conditions in Spain have been evolving rapidly.

Through its advisory team, the company has been involved in due diligence and similar activities for a number of transactions in both Portugal and Spain. This team regularly reports up-to-date market conditions to the executive committee, which can assist strategic planning.

**Table 1**

<b>Portfolio Evolution</b>								
	<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>Oct. 31, 2014</b>	
	<b>Amount (mil. €)</b>	<b>No. of mortgages</b>	<b>Amount (mil. €)</b>	<b>No. of mortgages</b>	<b>Amount (mil. €)</b>	<b>No. of mortgages</b>	<b>Amount (mil. €)</b>	<b>No. of mortgages</b>
<b>Portugal</b>								
First charge prime residential mortgages	73,105,934.37	1,120.00	72,896,992.73	1,234.00	62,429,110.93	1,096.00	54,894,638.69	1,014.00
First charge nonconforming residential mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Second charge residential mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Buy-to-let	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity mortgages	0.00	0.00	1,831,039.33	66.00	1,580,543.94	34.00	1,222,569.12	33.00
Other residential mortgages	0.00	0.00	135,374,165.63	2,749.00	126,664,361.32	2,716.00	117,943,048.45	2,581.00
<b>TOTAL</b>	<b>73,105,934.37</b>	<b>1,120.00</b>	<b>210,102,197.69</b>	<b>4,089.00</b>	<b>190,674,016.19</b>	<b>3,846.00</b>	<b>174,060,256.26</b>	<b>3,628.00</b>
<b>Spain</b>								
First charge prime residential mortgages	0.00	0.00	39,832,530.10	346.00	45,620,126.16	731.00	460,119,739.31	3,021.00
First charge nonconforming residential mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Second charge residential mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Buy-to-let	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other residential mortgages	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>39,832,530.10</b>	<b>346.00</b>	<b>45,620,126.16</b>	<b>731.00</b>	<b>460,119,739.31</b>	<b>3,021.00</b>

Chart 1

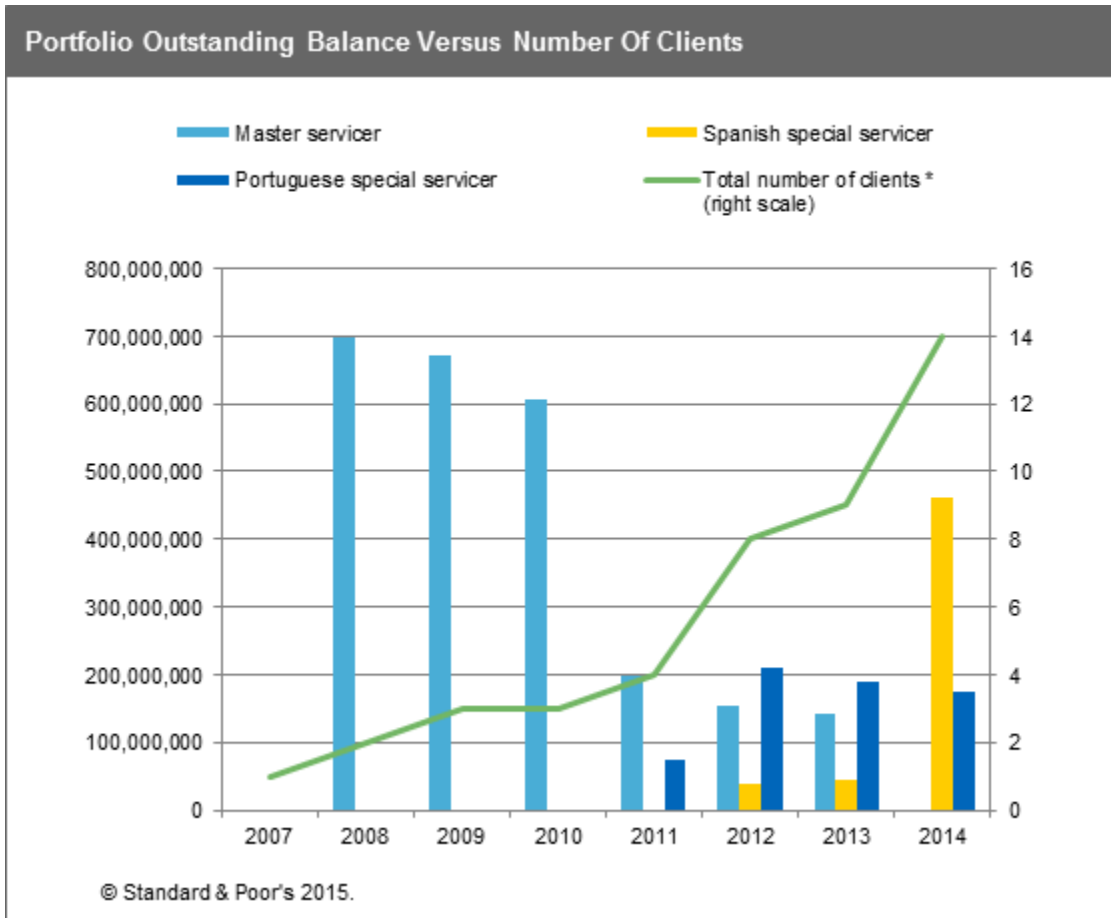
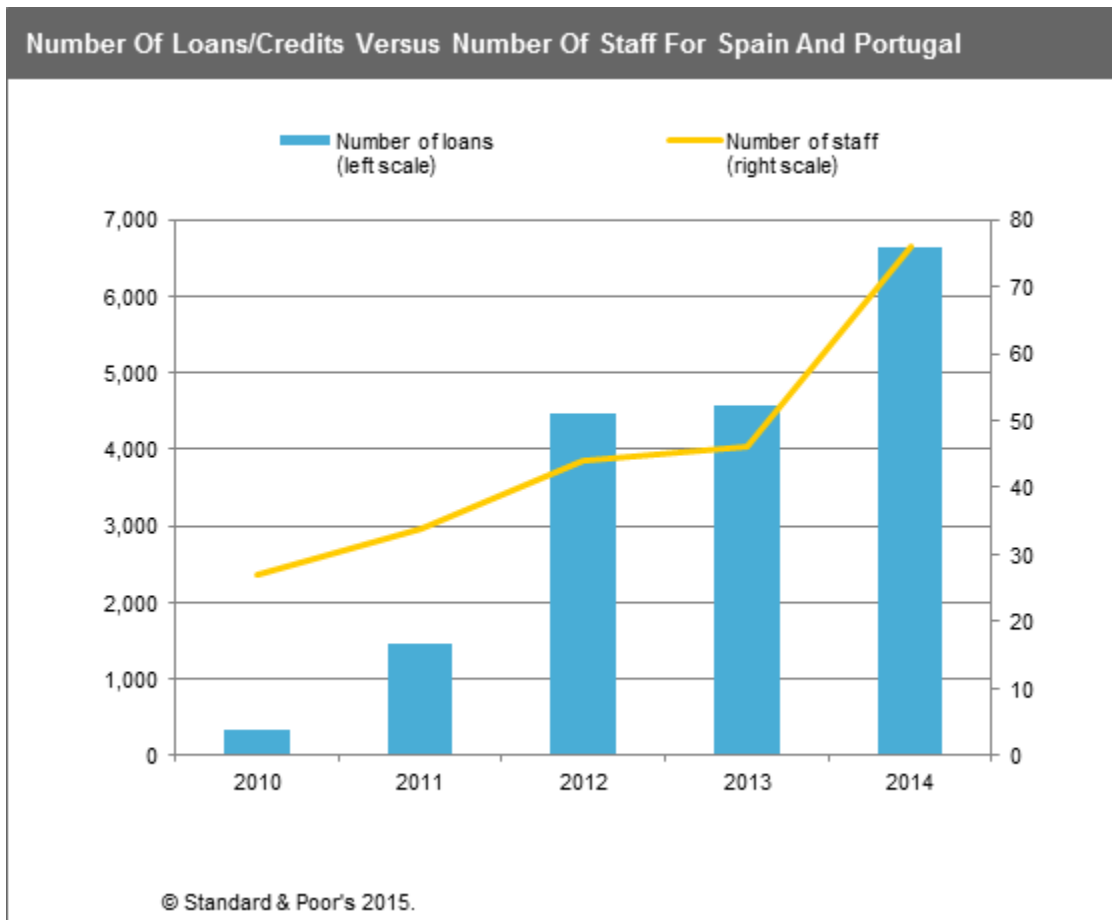
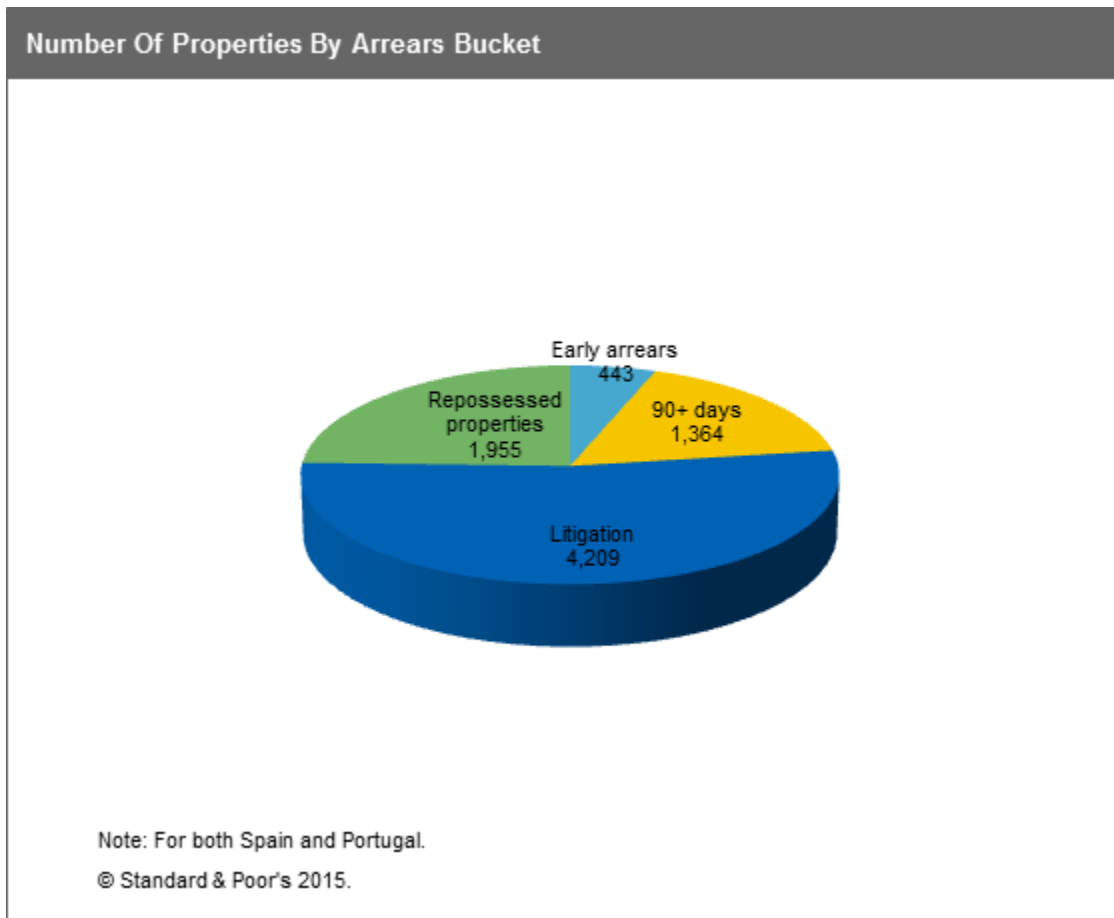


Chart 2



**Chart 3**



## Management And Organization

We have assigned our ABOVE AVERAGE subranking for management and organization as a special servicer of residential mortgages in Spain. We have also raised to ABOVE AVERAGE our subranking for management and organization as a special servicer of residential mortgages in Portugal. We have based our subrankings on our view of the following factors:

### Structure

Chart 4 shows the current organizational structure. The key updates from our previous review are:

- The creation of an executive committee. The rationale behind this is that the managing partner was previously the direct report for the management layer, sitting immediately below him. Not only did this result in blockages in operations with any high-level decisions having to go through one individual, but as we have expressed previously, resulted also in key man dependency. In our view, this change provides some improvement.
- The appointment of a dedicated full-time chief audit executive.
- The appointment of a country head for Spain. A similar appointment is planned for Portugal.
- The transfer from Portugal of a new head of risk management for Spain.

Supporting functions, such as finance, HR, and IT are mainly based in Lisbon.

As we advised in our previous report, the company has created an operations team in Portugal and one in Spain. Each operative team includes the advisory and risk management (A&RM) department, the special servicing department, and the real estate (RE) department. In Spain, the operations team also includes the legal department. The legal function in Portugal is outsourced.

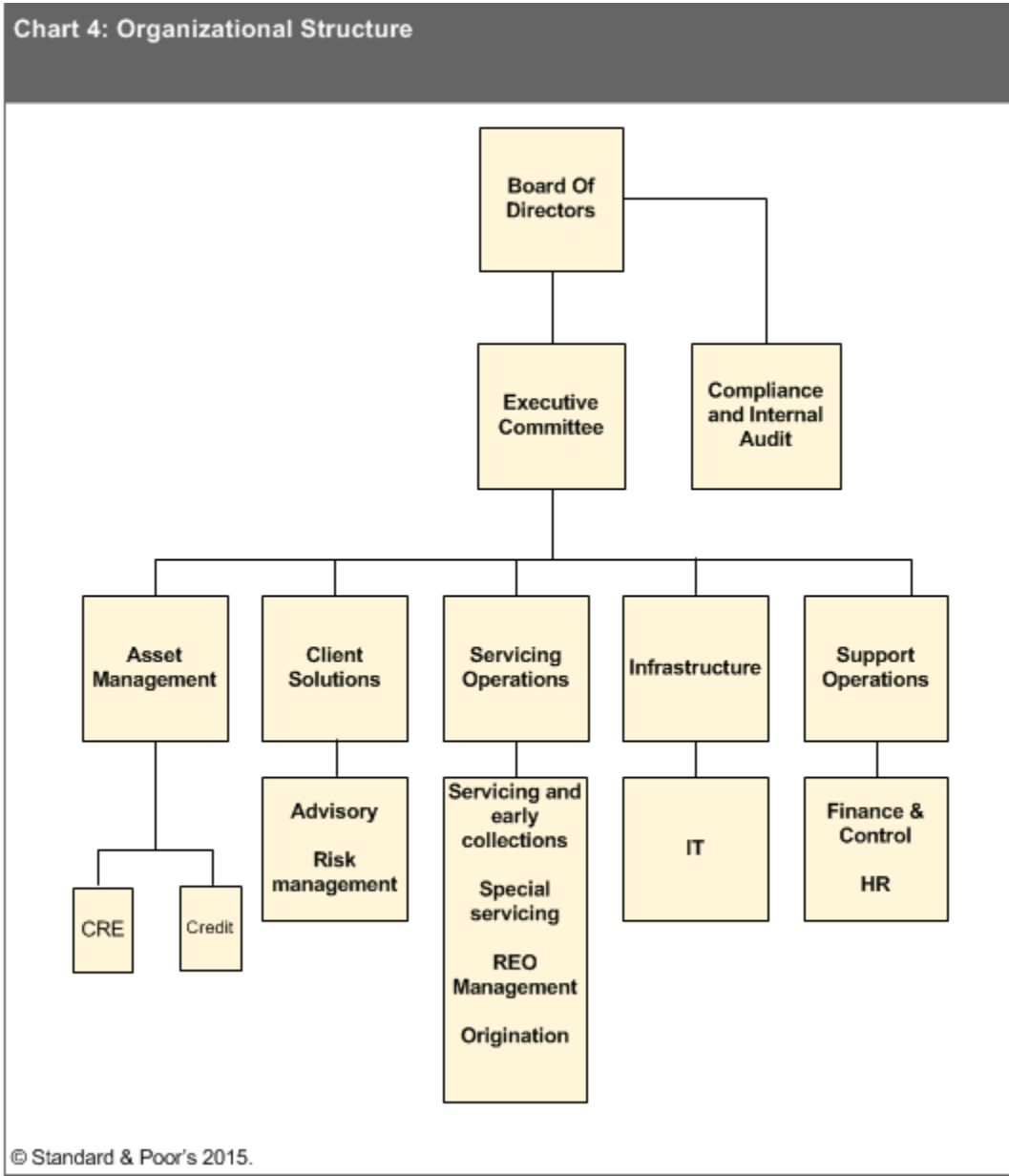
A&RM teams in Portugal and Spain oversee several tasks such as pricing new portfolios, monitoring the overall servicing activity, and dealing with clients in the respective jurisdictions.

In our opinion, FinSolutia has assembled a workforce with appropriate and complementary skills relative to its operations. Senior management have good levels of experience within the Portuguese and Spanish markets.

FinSolutia holds regular meetings:

- The Executive committee meets weekly.
- Every week, the managers and members of the Executive Committee formally meet and each department has weekly team meetings.
- Every month, the Spanish special servicing team meets the legal team to discuss the various loans that the company is working on.
- Every quarter, the board, and the members of the Executive Committee consisting of the MD and three non-executive members, reviews the company's strategy and business development.





**Staff and staff turnover**

The total staff number was 76 as of Oct. 31, 2014, up from 45 at the end of 2013. The company expects it to continue to expand as business increases. There were eight departures in 2014, representing a turnover rate of 17.8%. There were 39 new hires in 2014. While this is a significant number of new staff, FinSolutia has an established induction program of formal training and on-the-job coaching, which has helped the integration of new joiners.

**Table 2**

Average Years Industry Experience/Company Tenure		
	Experience	Tenure
Senior management	18.41	6.53
Middle management	15.42	2.78

**Table 2**

Average Years Industry Experience/Company Tenure (cont.)		
Staff/master servicing	5.03	2.85
Staff early arrears	8.36	1.86
Staff late arrears/litigation	8.36	1.86
Staff property sales	12.92	1.45

The company annual employee survey took place in August 2014. We understand that the responses from the survey have been positive.

On average, staff working on Portuguese and Spanish nonperforming loans (NPLs) service about 100-120 loans each, with a maximum of 150 NPLs.

**Training/development**

Senior management approves all training, which HR coordinates. Staff can choose non-mandatory training to attend from the offer made available by the company. In 2014, each employee completed an average of 40 training hours, excluding language courses and induction training.

FinSolutia's induction training includes 40 hours class-based and 40 hours on-the-job. Almost 20 of the induction training hours are dedicated to explaining the company's corporate values and processes. This is because FinSolutia aims to develop a strong corporate identity by transferring its culture to all staff as soon as possible. The company tailors its induction technical training to each department and can vary depending on the new hires' experience.

Employees can give and receive regular feedback on their performance through one-to-one sessions with their line manager.

The annual review that each employee has with their line managers comprises the self-assessment, manager's assessment, and next year's objectives. Bonuses are directly related to these final assessments. Servicing business teams also have quarterly variable incentives.

**Systems and technology**

The company has developed its own IT platform, which supports all servicing activity. FinSolutia considers its IT system to be a core tool and improves it every year. In our opinion, the IT platform is robust and reliable and supports all aspects of the servicing business.

The IT department comprises 12 staff, an increase from six in our previous review. The head of the IT department has significant industry experience.

FinSolutia's loan management system, 4Sight (4S), is based on three fully integrated in-house applications, which use Microsoft technology:

- 4S Loan is part of the loan management system and supports special servicing. In addition to its management and reporting capabilities, it facilitates restricted access to loan portfolios for stakeholders and investors. The system has been built on a "top-down" structure so the loan manager can access a summary of each portfolio.

- 4S Property supplements 4S Loan. 4S Property is the real estate management system and it is mainly used by the RE department. It helps to process information on the properties backing the loans under management. 4S Property incorporates geographic detail, property photos, and market data.
- 4S Vendor is used by external providers, such as appraisal companies and brokers, to feed the system with their updates. Since 2012, information on real estate prices extracted from main estate agent portals has automatically fed 4S Vendor.

FinSolutia's system is web-based and can be accessed through a friendly interface. We received a demonstration of the system and we consider it easy and intuitive to use. In our view, this helps the loan managers to process their work efficiently. External and internal staff have limited access to specific sections of the system. At our previous review, the company advised us that it planned to license its system to other servicers and it has since successfully entered into a contract with an Italian servicer, where it is now in use.

The IT department prioritizes system development requests mostly in order of importance and depending on how urgent these requests are for business needs. An internal committee (comprising the head of IT, the MD, the heads of the A&RM and operations departments), decides the priority of the improvements. The committee meets periodically to assess a project's progress and plan its next steps. This allows the company to adjust or re-orient a project's direction, based on the completed work to date.

There have been a range of technological developments since our previous review, including a PBX telephony centralized system with modules, including call recording, Italian language capability, portfolio performance dashboards, email migration to cloud hosting, workout modules, and equipment upgrades.

A Microsoft collaborative platform—MS Team Foundation Server 2010— manages workloads and communication between the teams. In order to monitor all of the requests, FinSolutia has a list on the company intranet for employees to suggest improvements or new features on the existing applications. FinSolutia believes that this promotes collaboration and benefits its business needs.

The IT team holds a daily meeting, at which it undertakes a review of any issues arising as well as reprioritizing/readjusting the tasks for each day of the project calendar. The team provides weekly IT infrastructure reports to senior management.

FinSolutia advises us that systems include antivirus software and that there are mechanisms in place to avoid external or internal intrusion into the systems. The company monitors critical elements of the systems for possible intrusion. There are firewalls in place at appropriate points within the system architecture. There is a defined password policy and access to systems is withdrawn if the user leaves. FinSolutia stores legal documents as electronic images.

Since our last review, FinSolutia has developed a Cloud-based disaster recovery plan. The company last updated its disaster recovery plan in August 2013. We understand that the company tests data recovery daily and that on average, it takes less than an hour to restore data. A backup system in a Lisbon-based data center backs up critical data every 60 minutes and copies this daily to a site in Madrid.

There is a formal business continuity site, which is two kilometers away from the Lisbon headquarters, providing seats for between eight and 12 employees. We understand that this site operates on a separate power grid. For Spain, there

is also a formal business continuity site, which is four kilometers away from the Madrid headquarters, providing seats for four to 10 employees. The company has confirmed that its IT web-based platform enables all workers to work from any external location, with internet access and a computer.

### **Internal controls**

In March 2014, FinSolutia created an internal audit department covering operations in both Lisbon and Madrid, replacing the previous less formal arrangement. The company appointed a full-time experienced chief audit executive (CAE) and a second internal auditor has subsequently joined. The CAE's first task was to visit each department, meet the staff, and gain an understanding of the activities.

In our opinion, the creation of a formal controls function is a necessary discipline for the company, especially as its business grows.

FinSolutia has established a formal charter, which we have seen, setting out the purpose, authority, and responsibilities of the internal audit function. The charter articulates the reporting line from audit into the company's board of directors. Prior to publication, the board formally agreed the charter. In our view, the reporting line creates sufficient independence from operations. The company plans to have an independent quality assessment and improvement program of its audit discipline every five years.

The CAE (working with senior management) is responsible for the development of a risk-based audit plan, set against the company's risk framework, which incorporates the business' risk appetite. The company has set out a methodology to create transparency and consistency for the discipline. The board undertakes a high level review of the plan biannually.

FinSolutia considers risks according to their likely occurrence and impact. It then applies a grading of high, medium, or low.

Internal audit creates an individual plan for each area of operations before commencing the audit. Audits are carried out "on site". Staff receive no prior notification of an audit.

The company then prepares and submits a report to the operational area involved, senior management, and the board. There are defined criteria and quality for the communication of the report. There are also defined follow-up processes and timeframes for the resolution of findings. High priority findings must be resolved satisfactorily within a maximum of one month, medium within three months, and low within six months.

There is no software to support the management of internal audit.

However, if the CAE feels that something is required to perform the internal audit effectively, it will be presented to the board in accordance with the Internal Standard for the Professional Practice of Internal Auditing (IPFF) 2030.

The CAE is responsible for the management of risk and compliance.

The CAE has created a more detailed anti-money laundering (AML) policy in line with legal and regulatory requirements. In addition, the company has implemented a new internal controls policy to enable all employees to continue ongoing surveillance of all areas of the business.

The company's data protection policies also now fall under internal audit's control. This function works with IT to ensure that information is stored securely.

The company website contains a customer portal, which is designed to promote treating customers fairly. The company has appointed an internal ombudsman to oversee this.

The CAE has reviewed policy and procedures (P&Ps) since his arrival. They are available to all staff in a centralized location on the company intranet and cover core business operations, including special servicing, real estate, advisory, and supporting operations, including HR and financial services.

Each department is required to develop mechanisms to identify, measure, and control risk and to manage its own P&Ps. The internal audit department has a monitoring role and may recommend that departments update existing or implement new P&Ps whenever necessary.

A hierarchical structure assigns responsibilities and clarifies authority levels, establishes internal controls adjusted to their operations, and assures that existing internal control mechanisms are sufficient and effective.

The company communicates all changes or new policies to staff by email, and are available on the company intranet. An example of this is the new company code of conduct introduced in 2014. This required formal signed acknowledgement and return to HR by all employees.

We have received a copy of the current manuals. The manuals clearly describe each procedure, any necessary input, the expected output, and who is responsible for it. In addition, the manuals report risk analysis.

The company creates version tracking by formally documenting all amendments for future reference.

In our opinion, FinSolutia's policies and procedures are adequate for a company of their type and size.

FinSolutia reports that it has not received any complaints related to its servicing activity since our previous review.

### **Insurance**

FinSolutia has provided us with a copy of its insurance contracts, which cover both the Spanish and Portuguese operations.

## **Loan/Asset Administration**

The loan and asset administration subranking as a special servicer of Portuguese residential mortgages is ABOVE AVERAGE and as a special servicer of Spanish residential mortgages is AVERAGE. We reviewed all aspects of loan servicing, including loan boarding, payment processing, investor reporting, customer service, collections, litigation, and asset recovery functions.

**Table 3**

Portfolio GBV By Servicing Type And Assets Geographic Distribution							
	2008	2009	2010	2011	2012	2013	2014
Spanish special servicer (€ mil.)	-	-	-	-	39,83	45.62	460.11
Portuguese special servicer (€ mil.)	-	-	-	73.11	210.10	190.67	174.06
Number of staff	15	24	27	34	44	46	76

GBV--Gross book value.

### New loan set-up

In 2014, the company boarded 2,478 loans in Spain and Portugal and we believe that this has provided an adequate test of the company's capabilities.

The boarding of a portfolio is automated with data transferred using an extract, transform and load methodology. Extraction can be made from a variety of sources including excel, access, and XML. It is then tested, loaded, and approved for a live environment by a committee.

FinSolutia has developed a standard welcome letter, which it sends to all new debtors.

### Document tracking

Upon receiving original documentation, a team of loan managers reviews the information.

All documents are uploaded and stored electronically to a document service manager. All Spanish documents are sent for scanning to Normadat, an external company. FinSolutia has developed a template for checking documents received or not received with this company. The template also allows FinSolutia to prioritize loans that may require more urgent attention.

Each document is allocated a bar code, identifying where the paper documents are stored and this helps to retrieve them if necessary. FinSolutia uses an external archive provider to store documents.

### Payment processing

FinSolutia is responsible as a special servicer for collecting monies from debtors. Customers can make payments to their mortgage accounts via a variety of methods including bank transfer and direct debit. In Portugal, clients can make payments at ATMs and FinSolutia reports that this is a popular method because it is convenient.

In Spain there is an administrative challenge for managing customers who pay by direct debit. The banking system allows a debtor to recall a direct debit taken from his/her bank account for a period of up to 56 days after the due date. This can create uncertainty over whether a mortgage payment has been made or not on time and FinSolutia reports that on average, about 25%-30% of all direct debits are recalled. This means that it has to contact the borrower for funds, which can be inefficient and costly. In September 2014, FinSolutia agreed with the Spanish post office a system to accept over-the-counter cash payments, using a unique reference. Therefore, monies are transferred directly into

the relevant mortgage account. Once a borrower has paid the cash, it cannot be recalled. Moreover, FinSolutia believes that borrowers like the flexibility of this system.

Any payments that cannot be allocated are reconciled weekly against investor bank accounts. Special servicing and real estate departments then check the allocation.

### **Special servicing**

The total gross book value for both Spain and Portugal is 100% third-party portfolio and is not securitized.

FinSolutia has been a special servicer in Portugal since 2011 and in Spain since late 2012. Our assessment was previously limited to the Portuguese business, but now also extends to Spain. Both Spain and Portugal use the same systems, policies, and procedures and follow a similar workflow.

The company's special servicing activity usually starts during the portfolio due diligence period as part of the A&RM department's tasks.

There is a common special servicing framework on which operations in Portugal and Spain are based. All aspects of the framework are checked to ensure that they comply with legislation and regulation.

Portfolio managers lead teams of special servicing staff. Team leaders (TLs) manage between three to five asset managers (AMs).

- A PM's key tasks—apart from the management of his/her team—include the oversight of third party management, coaching, and delegated authority within certain parameters to accept proposals and resolutions.
- A TL's duties also involve team management, coaching, and making recommendations to PMs on proposals and resolutions.
- AMs have varied experience and are allocated loans according to their complexity and matched against their individual experience. Their role includes debtor contact, loan analysis, and establishing debtor ability and willingness to pay.

The company instigates debtor contact—usually by letter, telephone, or text messages according to the servicing agreement. FinSolutia has prepared a suite of letters to enable it to maintain consistent communication in line with individual country regulations and practices. It sends all letters by registered post and records all communication on the loan management system.

In addition to NPLs in special servicing, the company also services performing and sub-performing loans (SPLs). It aims to maintain the status of the performing loans and manage the SPLs to return them to a performing status, where possible. If an SPL goes beyond 90 days in arrears, it becomes an NPL and enters special servicing.

There are three phases of the NPL activity: workout, foreclosure, and real estate owned services. Experienced staff initially assess a borrower's ability (by obtaining detailed financial information) and willingness to make payments. To maximize returns, the team considers alternatives to foreclosure and possession, such as loan modification, voluntary collateral surrender, discounted pay off (DPO), or sale under power of attorney. Often negotiations run concurrently with the commencement or continuance of foreclosure proceedings in case the negotiations do not reach a satisfactory conclusion. Analytics developed by FinSolutia support strategy.

Real estate departments in Portugal and Spain support the special servicing teams.

The risk management team supervises all servicing activity to monitor compliance with policies and procedures. It also uses a four eyes discipline, whereby at least two people "sign off" on any acceptances of proposals or recommendations sent to investors.

The company outsources the foreclosure process to third-party judicial service suppliers. Skip tracing and business process are also outsourced. There are panels of approved providers managed by the TLs. The suppliers have service level agreements and key performance indicators to observe and FinSolutia closely monitors their performance. The company structures the panels to enable it to have geographical coverage across Portugal and Spain.

FinSolutia has provided evidence that collections activity has been producing positive results for both Portugal and Spain. From what we have observed, we believe that the company has good processes, with appropriate levels of oversight and control so that servicing staff work efficiently and effectively in achieving work-out solutions.

## **Portugal**

The real estate team in Portugal has increased by four staff since our previous review and the company plans to increase it by one more. The team manages properties, which are at the point of being marketed and through to sale. The closing team concludes sales that have been negotiated. All legal work in Portugal is outsourced.

The timescales for the sales process for a property can be protracted in Portugal in challenging market conditions. All properties that are to be sold require an energy certificate and FinSolutia has automated this part of the process. It has advised us that this has increased efficiency.

## **Spain**

### **Advisory department**

This team has a headcount of four and it has been assembled mainly to undertake loan analysis through a deep dive of the data contained within portfolio data-tapes.

The advisory team works closely with special servicing and real estate in the underwriting phase of a portfolio. Portfolios are segmented to determine likely outcomes and timescales. Gross and net cash flows are then projected and a pricing model developed in excel format.

### **Special servicing**

The special servicing team in Spain has been able to leverage from operations in Portugal, which have been longer established. The Spanish business has been running for a number of years, but the most significant growth in servicing volumes was in the second half of 2014.

Headcount increased to 16 in October 2014 from eight at the end of 2012 in line with the growth in servicing volumes and FinSolutia has sought to assemble a multi-skilled experienced team. The team is split into three smaller teams: one for mortgages, one for corporates, and one legal team (who have complementary backgrounds such as repossession



and bankruptcy). Four law firms, with a fifth on the verge of joining, support the legal team.

NPLs transferred to FinSolutia can be at different stages in the resolution process, from just having defaulted to being already in foreclosure. Asset managers are required to review each file at least once a month. Asset managers are split by region and look after up to 150 loans each.

The company tracks the activity of each asset manager and formally records all decisions on the IT system, creating a clear audit trail. The system also includes a pipeline function so that each asset manager can track any new instructions. The system also retains all historical offer and sales data.

### **Real estate**

The real estate team in Spain comprises eight staff, including two closing staff. These staff are in addition to those in special servicing. There are four asset managers in the real estate team and they manage between 120 to 150 properties, each split geographically.

The asset manager's first responsibility is to have a property secured, i.e., locks changed and ready for marketing. FinSolutia has contracts with three national companies, which attend to this on its behalf. FinSolutia records two formal valuations for each property (appraisal and broker price opinion [BPO]).

The company obtains a broker opinion and a broker instruction directly through the system and also by email. FinSolutia has contractual links and agreed service level agreements with a broker network (around 140). It has provided training to each broker to enable them to understand its requirements. In certain instances, FinSolutia may use more than one broker if it feels this would be beneficial to the disposal, but generally it provides a broker with a four-month exclusivity period.

To support real estate management the company has created an Apple IOS (for iPhone and iPad) application, which allows the user to access property details. The company advises that it has data on properties in around 8,000 Spanish towns and cities. Every property managed is given a liquidity rating: A -- six months resale period, B -- 12 months, C -- 18 months, and D -- 24 months. The system also has direct links with agent's websites.

The closing staff handle DPOs and loan sales.

### **Outsourcing**

FinSolutia uses several service providers (see table 4).

FinSolutia's broker panel in Spain comprises 140 (128 active) brokers and 45 in Portugal. FinSolutia outsources its legal activity in Portugal, but not in Spain. The company works with four Portuguese legal firms selected by the senior management team based on their industry experience. In Spain, a network of external solicitors supports the company's internal legal team.

External consultants can have restricted access to the loan management system to update it with relevant information.

**Table 4**

#### **Outsourced Services**

**Table 4**

<b>Outsourced Services (cont.)</b>		
	<b>Spain</b>	<b>Portugal</b>
Brokers	140 (active 128)	45 (active 45)
Lawyers	4 external firms and 3 internal lawyers	4 external firms
Solicitors	1 per court	External law firms select and manage them, usually they work with preferred solicitors
Archive provider	Norma Dat	Keep it Simple
Skip tracing	None	4 companies working with specific compliance guidelines
Appraisal companies	5	3
Securing companies	4	3

N/A--Not applicable.

### Investor reporting

The Risk Management department handles all reporting. The company's goal is to provide bespoke reporting within a basic template that it has devised. Reports are automatically produced daily, weekly, monthly or quarterly, depending on investor and client requirements. We believe that FinSolutia is able to provide a good quality of reporting.

Clients can access their portfolio data directly; they can prepare their own customized reports using their permitted secure access.

## Financial Position

The financial position is Sufficient. We have based this on the company's income statements for 2012, 2013, and 2014 and the company's forecasted statements for 2015.

## Related Criteria And Research

### Related criteria

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

### Related research

- Various Ranking Actions Taken On FinSolutia As A Special Servicer Of Residential Mortgages In Portugal And Spain, Jan. 21, 2015
- Servicer Evaluation: FinSolutia S.A., Sept. 26, 2013

### Additional Contact:

Structured Finance Europe; [StructuredFinanceEurope@standardandpoors.com](mailto:StructuredFinanceEurope@standardandpoors.com)

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