Structured Finance Criteria

Rating Criteria

Scope of the Criteria

Lianhe Global applies this structured finance criteria to transactions backed by assets including, but not limited to, consumer loan receivables, residential & commercial mortgage loans, corporate loans, CLO/CDO as well as equipment leases.

The criteria do not represent a comprehensive coverage but only addresses key rating factors to form our credit opinions and will be reviewed periodically. Credit opinions tend to be forward-looking and include our views of structured finance transactions as well as related counterparties' future performance and development.

General Approach

The criteria outline and describe the rating process and procedure we undertake to evaluate both qualitative and quantitative factors when assigning ratings to structured finance transactions. The criteria are meant to provide general guidance and shall not be interpreted as a rigid step-by-step methodology. We may make reasonable adjustments to reflect any unique features in any structured finance transactions. Furthermore, the criteria do not represent a comprehensive methodology but only address key rating factors.

Overview

In general, a structured finance transaction separates the credit risk of an issuer from its segregated and collateralized assets to achieve higher credit ratings through a capital structure of stratification of risks or structured priority of payment and allocation of losses. Investors of structured finance transactions only have claims to the segregated and collateralized assets underlying the transactions but not issuers, unlike corporate finance transactions. In general, the asset and the liability side of a structured finance transaction match each other. In general, collateralized loans with interest and principal payments are on the asset side, while interest accruing certificates or notes are on the liability side. Interest and principal collected from the asset side are used to pay off the accrued unpaid interest and the unpaid principal balance on the liability side according to prescribed rules or priority of payments. Certificates or notes are parcelled/tranched to receive uneven interest and principal payments in the order of their stratified/structured risks or ratings. Meanwhile, losses incurred from the asset side are allocated to the lowest rated certificates or notes/unrated classes on the liability side. These lopsided structured payments and allocation of losses achieve higher ratings for a portion of the certificates or notes (benefiting from the lower-rated certificates or notes) than otherwise would have been under corporate finance arrangements in which certificates or notes ratings are tied to issuers' ratings.

Additionally, Lianhe Global reviews transaction structural features which include (but are not limited to) waterfall payment priority in the underlying governing documents, as well as trigger mechanisms for payment priority which may impact the level of credit enhancement. Furthermore, we review consent and notification rights afforded to credit rating agencies. (See Appendix)

In this criteria report, we focus on five key rating elements: (1) transaction legal structure, (2) originator/servicer operational review, (3) asset performance analysis, (4) transaction

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structure and cashflow analysis (including credit enhancement analysis), and (5) counterparty risk review, for analysing and rating any structured finance transactions.

Transaction Legal Structure

Asset Segregation

Lianhe Global analyses the legal structure of any structured finance transactions to ensure their underlying assets are segregated from originators/sellers' balance sheets.

This asset isolation is achieved through a 'true sale' in which assets are sold or their ownership rights assigned and/or transferred from originators/sellers to special purpose vehicles ("SPV"). In an event of bankruptcy of the originators/sellers, these assets are not subject to automatic stay or clawback and become parts of the bankruptcy estates. This segregation or separateness is designed to prevent consolidation under the equitable doctrines in bankruptcy.

Bankruptcy Remoteness

In general, bankruptcy remoteness of SPVs is achieved through the separation from originators/sellers via-vs as on-going concerns. Their legal status as separate entities make their obligations secure even if their affiliated companies go bankrupt. SPVs are described as orphans without any affiliation or linkage to any entity. In addition, SPVs are governed by sets of documents that prohibit or make it extremely difficult for SPVs to file for bankruptcy.

Perfection of Security Interest

In general, underlying assets must have free and clear ownership rights or titles assigned or sold to SPVs underlying transactions without recourse. We rely on issuers counsel's true sale opinions (or similar legal documents to the same effect) for the perfected security interest underlying the structured finance transactions. The true sale opinions (or similar legal documents to the same effect) should efficiently address any recharacterization risks in which sales of assets are recharacterized as pledged of the assets as security for loans even though all parties have treated and intended the transactions as sales. We also examine any (commercial) contracts, securities, and bankruptcy laws in place and their enforceability in transaction related jurisdictions. We believe these legal aspects are the bedrock for any structured finance transactions.

Similarly, we also look to issuers' counsel for any tax leakages posed to any structured transaction which are not addressed by our ratings but may pose negative implications.

Origination and Servicing Operational Review

Origination Review

Lianhe Global pays particular attentions to the operational and financial aspects of originators of loans/receivables. We review their loan origination guidelines, regulatory compliance, channels, quality control, and prior repurchases (if applicable). We also examine representations and warrants ("reps and warrants") made by originators/sellers with substantial balance sheets which must be acceptable to Lianhe Global if applicable. In general, we only accept reps and warrants from reputable entities. In an event, a counterparty is not acceptable to Lianhe Global, we look for remediation schemes or backups or guarantees, or additional credit enhancement. (see Appendix)

Servicing Review

Lianhe Global pays particular attentions to the operational and financial aspects of servicers of loans/receivables. In an event, a servicer is not acceptable to Lianhe Global, we may look to a backup or master servicer for contingent arrangements. We pay close attentions to the compliance aspects of collection practices of servicers which must follow applicable local ordinances or laws. We also pay close attentions to the default management and loss mitigation aspects. We believe that the length of time to foreclose/repossess and the amount of recovery are highly dependent on jurisdictions, whether they are creditor- or debtor-friendly. Lianhe Global considers both the length of time and costs associated with asset recovery and disposal. We glance from the jurisdictions' historical foreclosure/repossession data and use them as benchmarks. In the absence of historical performance data, Lianhe Global may use historical data from other jurisdictions with similar practices. (see Appendix)

Servicer advances

In some structured finance transactions in which underlying assets have expected high recovery, servicers may be required to advance scheduled but delinquent interest and principal payments as long as they deem recoverable to ensure adequate liquidity to transactions' cashflow mechanism. Servicers generally reimburse themselves from net proceeds of recoveries as a first priority. As a part of our servicer review process, we prefer servicers to have separate financial arrangements to complement their advancing capacities.

Asset Performance Analysis

In general, Lianhe Global analyses the credit quality and other attributes of underlying assets underlying or referenced credits to gauge performance.

For homogenous loan receivables such as asset-backed and mortgage-backed loans, Lianhe Global requires granular loan-level information to determine expected losses by applying statistical models as well as to analyse other collateral attributes. Additionally, Lianhe Global may rely on any available third-party due diligence reports on the underlying assets to determine the accuracy of submitted loan-level data.

Analysis of Probability of Defaults, Recoveries, and Expected Losses

First, we derive a probability of default (PoD) of a loan by examining the relevant credit attributes which vary depending on asset type. Second, we compute a recovery rate of a loan by examining asset foreclose/repossession timeline and costs, carry costs, legal costs, asset preservation costs, as well as asset disposal channel and market value decline where applicable. The reciprocal of recovery is loss severity (LS). The expected loss (EL) is derived by multiplying PoD with LS weighted on each loan's unpaid principal balance unless otherwise stated. Third, we tally the aggregate weighted average expected losses of a pool by adding up all the expected losses of each individual loan weighted by its unpaid principal balance.

While we typically use statistical models to gauge default risk at deriving expected loss, we understand each issuer is unique in its own way which may not be fully captured by our statistical models. As a result, we also compare and contrast our statistical model outputs with an issuer's historical static pool performance data which includes (where applicable) delinquency rates, charge-off rates, loss rates (and timing of losses), recovery rates (and timing of recovery), cumulative losses, voluntary and involuntary prepayment rates, etc. We take into consideration of any changes in (a) an issuer/originator's underwriting guidelines overtime, (b) economic cycles, (c) interest rate expectations, and (d) a servicer or asset manager's capability and stability etc. to make any qualitative adjustments to our expected losses.

For any asset pool with heterogeneous and/or concentrated large loans, Lianhe Global closely examines each individual loan/obligor's credit attributes to determine its risk profile. We may request each individual loan/obligor's detailed financial information where applicable. Lianhe Global may also rely on third-party assessments on these loans as we see fit.

Analysis of Expected Loss at Respective Ratings

In general, Lianhe Global assumes a base expected loss at single B for the life of a structured transaction unless specified other. For any credit rating higher than a single B, we apply a multiplier or statistical approach best fitting the respective desired ratings of a transaction's capital structure. The base expected loss and the corresponding loss multiples may differ for various asset types. For homogeneous loan receivables, a multiplier approach is applied. The base expected loss may differ from an issuer/originator's historical performance as Lianhe Global applies a forward-looking approach taking into account of aforementioned adjustment factors such as economic cycles and interest rate expectations etc. In general, the higher the rating, the larger the expected losses it can withstand, and the larger the credit enhancement level.

Analysis of Expected Loss of Underlying Assets

Auto Loans and Leases: Lianhe Global estimates expected losses of an underlying auto loan pool by examining an originator's static pool performance data with comparable credit and loan attributes such as new verse used, down payment ratio, and loan terms, etc. For any transactions that subject to residual value risk such as auto leases, we compare the book value of leases to market values of leased vehicles to determine if there is any potential shortfall and the variability of that shortfall. We then determine an appropriate additional credit enhancement to account for the residual value risk. Additionally, we examine related static pools' constant prepayment rate to determine the amount of excess spread for the purpose of cashflow analysis and determining the appropriate credit enhancement commensurate with each rating.

Credit Cards: Lianhe Global estimates charge-off rates of an underlying credit card portfolio by examining an originator or sponsor's static pool performance data with comparable credit and receivable attributes such as convenient users verse minimum payment borrowers, yields, and principal payment rate, etc. We assume a transaction is in early amortization at the outset and the transaction sponsor is in financial distress and becomes incapable of funding new draws and receivables. Subsequently, we assume convenient users start to flee resulting in adverse selection in credit quality, rate of principal repayment, and yields as performing assets dwindle while non-performing assets increase over time. We assume charge-off rates to peak before reaching their steady state rates while yield deteriorates in addition to stressing (or slowing down) principal payment rate. Additionally, we estimate the average life of a transaction to determine the cashflow from assets is sufficient to service liabilities. For any transactions that subject to residual value risk such as a sale of receivables, we compare the book value of receivables to market values to determine if there is any potential shortfall and the variability of that shortfall. We then determine an appropriate additional credit enhancement to account for the residual value risk.

Residential Mortgage-Backed Loans: Lianhe Global computes expected losses of an underlying residential mortgage pool by using statistical models focus on credit attributes such as loan-to-value (LTV) ratios, credit profiles/scores of mortgagees, rate type, and loan terms, etc. as well as analysing other loan attributes such as primary resident verse second/vacation homes, regional concentration, and debt-to-income ratio etc. Lianhe Global may rely on any available third-party due diligence reports on the underlying mortgage loans to determine the accuracy of submitted loan-level data. While we typically use statistical models to compute expected losses, we understand each originator is unique in its own way which may not be fully captured by our statistical models. As a result, we also compare and contrast our statistical model outputs with an originator's historical static pool performance data which includes delinquency rate, loss rate (and timing of loss), cumulative losses, recovery rate (and timing of recovery), voluntary and involuntary prepayment rate etc. We take into consideration any change in (a) an originator's underwriting guidelines over time, (b) economic cycles, (c) interest rate expectations, and (d) a (primary, master, and/or special) servicer's capability and stability etc. to make any qualitative adjustments to our expected losses.

Commercial Mortgage-Backed Loans: For any pools with concentrated borrowers or a single borrower with multiple loans, we closely analyse each loan's credit profile by examining an obligor's net operating income, net cashflow and debt service coverage ratios (DSCR) in addition to other loan attributes aforementioned. Additionally, we apply our internal capitalization rates instead of market capitalization rates to estimate market values of the collateral/properties to recalibrate their LTV ratios. We may hair cut market values further by taking into consideration of (a) existence or absence of anchor tenants, (b) location, age and condition of the collateral/properties, (c) regional economic conditions and competitive landscape, (d) insurance coverage and maintenance reserve accounts, and (e) historical market value decline information, etc. We may require additional credit enhancement for highly concentrated pools.

Equipment Leases: Lianhe Global estimates expected losses of an underlying granular loan/lease pool by examining an originator's static pool performance data with comparable credit and loan/lease attributes which vary depending on equipment value, type and industry. For any pools with concentrated loans/leases, we closely analyse each loan/lease's credit profile by examining loan/lease advanced ratios on equipment as well as other attributes such as equipment value, type and industry etc.

For any transactions that subject to residual value risk, we compare the book value of leases to market values of leased equipment to determine if there is any potential shortfall and the variability of that shortfall. We then determine the appropriate additional credit enhancement to account for the residual value risk.

CLO & CDO: Lianhe Global computes expected losses of an underlying loan pool consists of either collateralized loans or collateralized debt obligations using statistical models. If a correlation shall exist within the underlying loan pool, Lianhe Global applies the appropriate credits.

In cases of arbitrage CDO transactions, Lianhe Global also examines the experience and expertise of CDO managers as well as eligibility criteria to ensure compliance with the transaction governing documents.

Asset recovery

Lianhe Global reviews asset recovery timeline, repossess/foreclose costs, carry costs, asset preservation costs, precedents in jurisdictions as well as market value decline risk to determine expected recovery rates. Often time, early legal actions, creditor-friendly jurisdictions and affiliated/captive asset disposal channels yield higher recovery. In general, we review prior asset recovery experiences to establish our assumptions.

Transaction Structure and Cash Flow Analysis

Form of Credit Enhancement

Excess Spread

Excess spread is the difference between the (principal balance) weighted average coupon of assets minus transaction fees over the (principal balance) weighted average coupon of liabilities. If the excess spread is not trapped, then it flows to the economic residual holders where applicable. Lianhe Global simulates interest (and prepayment) vectors on both the assets and liabilities to determine the amount of excess spread at each rating. In general, excess spread decreases moving up in the capital structure as more stringent interest vector scenarios are applied (i.e. more divergence between the interest vectors on the assets and the liabilities resulting in little or no excess spread).

Losses are said to be “absorbed” by excess spread via accelerated amortization on the liability side (i.e. certificates or notes). Excess spread or additional cashflow from interest collection is used to amortize the liability side equates to the amount of losses.

Excess spread could also be used for liquidity purpose to transactions due to the non-performance of underlying assets (i.e. failure to make scheduled payments).

Overcollateralization

In some structured finance transactions, excess spread is applied to accelerate principal payment of liabilities (i.e. notes or certificates) creating a principal balance difference between assets and liabilities, thus over-collateralization is achieved in which there are more assets than liabilities. For the avoidance of doubt, over-collateralization is not the same as subordination. For example, when a dollar of loan consists of 0.80 dollar of principal and 0.20 dollar of loss is passed through at the asset side, only 0.80 dollar of principal is received at the liability side thus reducing the over-collateralization by the 0.20 dollar of loss.

Cash Reserve Account

Excess spread could be trapped in a cash reserve account to provide liquidity and/or as a form of credit enhancement to transactions in the future. Any amount in excess of the cash reserve target will be released to the economic residual holders.

Subordination

In a typical senior-subordination structure, losses are applied in reverse to the most subordinated classes or first loss piece while principal payments are applied to the most senior classes before they are applied to the subordinated classes. As the senior classes amortize faster than the subordinated classes, credit enhancement increases over time.

Third-party Credit Enhancement

Third-party credit enhancement may come in various forms such as insurance policies, financial guaranties, standby letter-of-credit, and commitments to purchase etc. In all cases, Lianhe Global review the financial strength of third-party credit enhancement providers as well as their willingness and timeliness to fulfil their obligations.

Transaction Structure

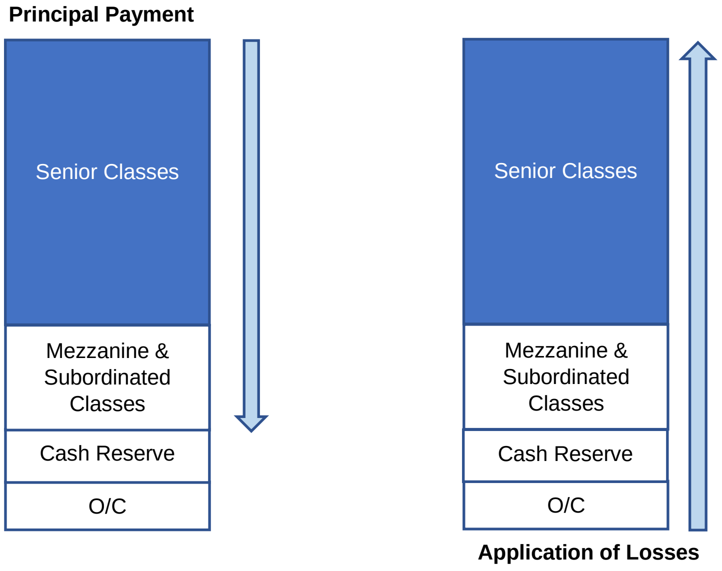
Priority of Payment

In a typically structured finance transaction, transaction documents prescribe the priority of payment or generally referred to as a waterfall. Funds collected from the underlying assets are deposited to a collection account, often a segregated account. Transaction fees such as servicing related and trustee/custodian fees are either subtracted at the top of waterfall payments or prior to deposit to the collection account. Prior to the distribution of funds collected from the underlying assets, funds will be or caused to be transferred to a distribution account (also a segregated account). Funds remaining on deposit in the distribution account will be distributed to pay accrued and unpaid interest on the certificates or notes. In general, interest collected from the underlying assets is used to pay accrued unpaid interest on the certificates or notes, while the principal collected from the underlying assets are used to pay the principal of the certificates or notes. In some structured finance transactions, interest and principal collected from underlying assets are used to accrued unpaid interest on certificates or notes first, with the remaining fund pay to any outstanding principal balance of certificates or notes.

Analysis of Credit Enhancement at Various Ratings

Sequential Payment

In general, a senior-subordination structure is the most common type of capital structure in which principal payment is allocated to senior classes as a first priority in a sequential order while losses are allocated to subordinated classes in reverse order. As senior classes amortize faster than subordinated classes, subordination or credit enhancement percentage increases over time. Thus, this lopsided principal payment structure achieves higher credit enhancement for the senior classes.



Prepayment Principal Lockout

In some senior-subordination structures, prepayment principal from the asset side is allocated to senior but not subordinated certificates or notes on the liability side. As senior classes amortize faster than subordinated classes, subordination or credit enhancement percentage increases over time. Thus, this lopsided principal payment structure achieves higher credit enhancement for the senior classes.

Performance-Based Trigger Mechanism

In general, credit enhancement is achieved or built over time through accelerated amortization of senior classes while subordinated classes remain intact. Upon satisfying certain transaction performance-based triggers such as delinquency rates, loss rates, and/or designated level of credit enhancement level as well as amortization schedule of the assets, subordinated classes are allowed to amortize or receive the principal payments.

Pro-Rata Payment

In general, upon the satisfaction of certain performance-based triggers and/or lock-out period, a portion of the principal payment is allocated to subordinated classes on a pro-rata basis.

Cash Flow and Sensitivity Analysis

Analysis of Credit Ratings at Various Capital Structure

Lianhe Global analyses various levels of credit enhancement against expected losses at their respective ratings in order to assign appropriate ratings at the breakeven level (or credit enhancement commensurate with each rating). In other words, at each rating, expected losses cannot exceed its respective credit enhancement level. The higher-rated senior classes benefit from the lower-rated mezzanine/subordinated classes in terms of loss allocation or credit enhancement. The higher the rating, the higher the expected losses it can withstand, the larger the credit enhancement.

When excess spread is utilised, Lianhe Global conducts cashflow analysis in which we apply various expected losses, interest rate, prepayment, and loss curve scenarios to ensure the soundness of the proposed transaction structure commensurate with the respective proposed ratings. We also conduct sensitivity tests by applying various base-case, front- and/or backend loaded loss curves along with base-case, upward or downward interest vectors to examine the impact on the available excess spread and credit enhancement. In general, we expect excess spread would have significant impacts at the bottom of a capital structure due to less stressful scenarios of expected losses, interest rate divergence, and prepayment rates. Whilst we apply more stressful scenarios of expected losses, interest rate divergence, and prepayment rates at the top of a capital structure, the excess spread would likely have minimum impacts. In certain downward interest rate scenarios, the existence of any embedded hedges (i.e. interest collars or swaps) may cause excess spread/interest leakages which translate into less available credit support than otherwise would have been provided (without the embedded hedges).

In cases where credit enhancement is provided by a third party such as a standby letter-of-credit from a bank or financial guarantor, we access their financial ability and willingness to provide support which must be acceptable to Lianhe Global.

Transaction Fees

Periodic and Ad-hoc Fees

Lianhe Global prefers transaction documents to set up periodic fee schedules as well as annual caps for any extra-ordinary expenses that may be incurred by parties to transactions such as in an event of unconscionable lawsuits or other unanticipated expenses. This mechanism limits the amount of transaction fee leakages at the top of the waterfall payments which may be detrimental to any structured finance transactions in which cashflow from assets match that of liabilities.

Counterparty Risk Review

First and foremost, Lianhe Global conducts reviews on counterparties participating in a structured finance transaction. In general, Lianhe Global reviews the financial and operational aspects of parties that provide asset/loan origination, servicing, loss mitigation, asset management, liquidity, custodian and trustee service, interest and currency hedging to a structured transaction, as well as credit enhancement either in the form of insurance, financial guarantees or standby bank letter of credit where applicable. These involved counterparties must be acceptable to Lianhe Global.

In general, prior to assigning ratings to a transaction for the first time, we will conduct a management meeting of the originator, servicer, and asset manager (where applicable). On an annual basis, we will conduct a periodic review. All parties to a transaction must be acceptable to Lianhe Global. In the event a counterparty is not acceptable to Lianhe Global, we look for remediation schemes such as collateral posting, backup or guarantee or additional credit enhancement, etc.

Swap Counterparties

Lianhe Global reviews the financial aspect of swap counterparties that provide either currency or interest rate hedging to a rated transaction. We require financial covenants/thresholds that are acceptable to Lianhe Global. For swap providers that fail to meet our initial thresholds, we may ask them to post eligible collateral to a transaction's trustees. They may be subject to further collateral posting requirements if their swap exposure increases as a result of increasing notional exposure which is not related to their creditworthiness. In the event a swap counterparty's creditworthiness has fallen below our minimum thresholds commensurate with the targeted structured finance ratings, sufficient remediations must be taken to cure any deficiency in a timely manner which may include third-party guarantees or replacement of the swap counterparty. These remediation measures must be acceptable to Lianhe Global.

Other Counterparties

In general, any nominated trustees must be acceptable to Lianhe Global. In general, trustees are commercial or trust banks with strong financial strength and information systems that are conducive to the distribution of funds as prescribed in a structured transaction governing document. Trustees play an important role and they have a fiduciary duty to act in the best interest of bondholders. In general, a trustee is not allowed to resign unless a replacement is in place.

Commingling Risk, Segregated Accounts, and Permitted Investments

In a typically structured finance transaction, cash collections and disbursements are carried out by various parties such as a servicer and trustee. These parties may deposit cash collections earmarked for a particular structured finance transaction with their own funds or funds for other transactions, and thus this practice may be subject to commingling risk or automatic stay in an event of the bankruptcy filing. Lianhe Global prefers transaction documents to set up segregated accounts for the benefit of designated trusts. We allow commingling risk to the extent the parties are either highly rated entities and/or acceptable to Lianhe Global. In addition, we allow reinvestments of cash collections on deposits in highly rated liquid and rated instruments (permitted investments) that are acceptable to Lianhe Global.

Other Considerations

Prefunding or Revolving Period and Loan Substitution

For transactions that have prefunding periods, revolving periods, substitution clauses and/or takeout events (by liquidity providers), we favour issuers to set up eligibility criteria and define takeout events at the start of the transactions. We conduct periodic surveillance to ensure transactions are in compliance with their respective eligibility criteria.

During a prefunding period, where there are more liabilities than assets underlying a transaction, an issuer/sponsor must size an appropriate interest reserve account for the benefit of a trust to cover any potential interest shortfall. Also, during such prefunding and revolving period, an issuer must adhere to its eligibility criteria for any subsequent loan transfer.

Set Off Risk

In a jurisdiction where a lending financial institution is allowed to offset an obligor's liabilities with his/her assets on deposit, we view this feature negatively and a transaction needs to have a reserve or other forms of credit enhancements to cover the set off amount.

Rating Symbols

Lianhe Global applies the same rating definitions and symbols with a "(sf)" suffix attached such as A(sf) or BBB+(sf). The structured finance rating definitions and symbols carry the exact same meaning as those for general corporates, banks, non-bank financial institutions and LIDCs etc.

Surveillance

Lianhe Global conducts periodic surveillance to track rated structured finance transactions to ensure their performances are within our expectation and prescribed rating category thresholds. In general, we track rated transactions' delinquency, loss rate, cumulative losses, charge-off rate, prepayment rate, and steady-state statistics, etc. In addition, for transactions with prefunding, revolving, and/or substitution features, we track the eligibility of subsequent collateral transfers.

In general, we conduct an annual review of key counterparties to ensure their financial and operating metrics are intact since the last review and they are acceptable to Lianhe Global. Lianhe Global may conduct unscheduled or ad-hoc counterparty reviews triggered by either an observed deterioration in operation and/or financial metrics of a counterparty or market-driven events.

Appendix

Lianhe Global reviews the following transaction documents, covenants, trigger languages, and thresholds:

(a) Transaction term sheet
(b) Prior transaction documents as reference
(c) True sales opinions
(d) Trust documents
(e) Pooling and Servicing Agreement or Sales and Purchase Agreement
(f) Representations and Warrants
(g) Commingling of funds subject to minimum rating thresholds
(h) Conveyance of titles to trustee/custodian subject to minimum rating thresholds
(i) Segregate Accounts and Permitted Investments
(j) Eligibility criteria for substitution and replacement
(k) Priority of payment
(l) Events of default
(m) Swap documentation
(n) Servicer termination events which include both financial covenants and performance-based triggers
(o) Consent & notification rights of credit rating agencies addressing material changes to transactions such as priority of payment, change of servicers, and loan substitutions etc.

In general, an originator review process typically encompasses the following aspects:

(a) Company's operating history and industry experience and expertise of management
(b) Financial condition of the company
(c) Funding prior to securitization or asset sales
(d) Underwriting guidelines, sourcing channel and quality control
(e) Approval hierarchy/authority and loan officers' compensation scheme
(f) Policies and procedures for funding of loans
(g) Legal and compliance, and document archive
(h) Information systems and integration with servicing system

In general, a servicer review process typically encompasses the following aspects:

(a) Company's operating history, industry experience and expertise of management
(b) Financial condition of the company
(c) Boarding and transfer of receivables
(d) Servicing portfolio size, seasoning, and performance
(e) Staffing and training
(f) Customer service and retention
(g) Loan administration, collection and compliance
(h) Default management, foreclosure/repossession and loss mitigation
(i) Vendor management
(j) Investor reporting
(k) Information systems, integration, and disaster recovery contingent scheme

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