

## U.S. Commercial Mortgage Servicer Report

# Holliday Fenoglio Fowler, L.P.

### Ratings

Primary Servicer	CPS2–
Special Servicer	CSS3

### Analysts

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### Related Research

#### Applicable Criteria

- *U.S. Commercial Mortgage Servicer Rating Criteria, June 19, 2009*
- *Global Rating Criteria for Structured Finance Servicers, Sept. 30, 2009*

**See page 6 for Servicer at a Glance.**

### Summary

Holliday Fenoglio Fowler, L.P. (HFF) is a CMBS primary and special servicer rated 'CPS2–' and 'CSS3', respectively, by Fitch Ratings.

The servicer ratings are based on the methodology described in Fitch's reports, "U.S. Commercial Mortgage Servicer Rating Criteria," dated June 19, 2009, and "Global Rating Criteria for Structured Finance Servicers," dated Sept. 30, 2009, both available on Fitch's Web site at [www.fitchratings.com](http://www.fitchratings.com).

HFF's primary servicer rating reflects its experienced and tenured management and staff and its long history as a commercial mortgage primary servicer, including Freddie Mac and CMBS servicing. The special servicer rating is based on the company's ability to work out, manage, and resolve commercial mortgage loans and REO assets. Both ratings reflect the broad real estate resources of HFF.

As of Sept. 30, 2009, HFF's primary servicing portfolio consisted of 2,041 loans totaling \$24.7 billion, of which 568 loans totaling \$7.8 billion were CMBS. HFF does not currently specially service securitized loans. Rather, the group performs workout functions for insurance companies and other institutional lenders. In the last two years HFF has resolved 28 loans with a combined balance of \$435.4 million.

### Strengths

- Long history as a CRE primary servicer, including CMBS.
- Experienced and tenured senior management and staff.
- The broad real estate resources of HFF.

### Concerns

- Limited CMBS special servicing experience.
- CMBS servicing experience has been non-cashiering whereby HFF does not process cash.

### Mitigants

- HFF's senior servicing manager has significant workout experience and the staff has current loan workout and resolution experience for insurance company lenders.
- HFF processes cash for non-CMBS lenders and has appropriate controls and staffing in place.

### Company Overview and Operational Highlights

For 35 years, HFF has been a primary servicer of commercial mortgage loans for life insurance companies and other institutional lenders. Additionally, it is an active Freddie Mac Program Plus® Seller/Servicer and has been a CMBS primary servicer for seven years.

The company maintains 17 offices throughout the U.S. with nearly 400 employees across all business lines. The servicing group consists of 32 dedicated professionals with its central operations based in Houston, TX and additional servicing support operations

in Pittsburgh, PA. HFF's loan servicing team draws upon the company's approximately 250 senior level transaction professionals and analysts for CRE and capital markets transaction and property level market data.

Recent accomplishments include the following:

- Became SOX compliant.
- Became a top Freddie Mac Program Plus® Seller/Servicer.
- Increased mentoring and staff development.
- Transferred in more than \$120 million in loans.
- Automated the watch list to increase utilization of the Enterprise servicing system.
- 100% of HFF's servicing analyst staff has been through MBA inspection training.

## Financials

Fitch does not rate the credit of parent company HFF, Inc. However, Fitch's real estate investment trust group performed a financial assessment of HFF and determined the company's financial viability adequate to support the CMBS servicing platform.

## Employees

As of Sept. 30, 2009, HFF consisted of 32 servicing employees. Servicing employees are experienced as follows:

- Senior management averages 25 years of industry experience and 11 years of tenure with the company.
- Middle management averages 19 years of experience in the industry and 11 years with the company.

Overall turnover among servicing employees was 9% over the past year, and there was no management turnover during the same period. Appropriate staffing levels are determined based on lender requirements and deadlines, and HFF utilizes historical performance data and recruits additional staff as required from production offices nationwide.

HFF employees averaged 20 hours of training in the 12 months ended Sept. 30, 2009, which is below the average of other Fitch-rated servicers. HFF provides employees with various training courses from third parties such as ARGUS, MBA, Insurance Advisors Webinar,

## Servicer Ratings

Fitch rates primary and master servicers, which protect the interests of the certificateholders in the trust by servicing and administering the mortgage loans. The primary servicer is responsible for day-to-day servicing functions, while the master servicer is responsible for monitoring the activities of the primary servicers, investor reporting, and timely remittance of funds to trustees.

Fitch also rates special servicers, which are key to maintaining the credit quality of a pool containing nonperforming commercial mortgages and real estate owned assets. The special servicer is responsible for working out loans, foreclosing, and liquidating assets.

In assessing and analyzing the capabilities of primary, master, and special servicers, Fitch reviews several key factors, including the management team, organizational structure and operating history, financial condition, information systems, and, with respect to the special servicer, workout and asset disposition experience and strategies.

Fitch rates commercial mortgage primary, master, and special servicers on a scale of 1 to 5, with 1 being the highest rating. Within each of these rating levels, Fitch further differentiates ratings by plus (+) and minus (-) as well as the flat rating.

and MBA Inspector Training.

## Policies and Procedures

HFF's policies and procedures (P&Ps) are updated at least annually and as needed throughout the course of the year, and any updates are approved by the senior managing director. All employees have access to the P&Ps via the company's Nexus intranet.

The internal audit function is performed by an external servicer provider, Deloitte and Touche (Deloitte). In its role as internal auditor, Deloitte performs SOX audits two times each year (interim and year end) with external auditor testing performed by Ernst & Young.

Ernst & Young is the USAP and RegAB auditor, and both audits were completed for the 12 months ended Dec. 31, 2008. There were no reportable findings.

## Technology

HFF utilizes Midland Loan Services' (Midland) Enterprise loan management system to support its loan servicing operation and currently uses version 6.1.3, which is able to integrate loan accounting, servicing, asset management, borrower customer service, and lender reporting into a single browser-based system. HFF also scans and retains all relevant loan documents in an in-house document management system based on FileNet Content Manager, a product of IBM Corporation.

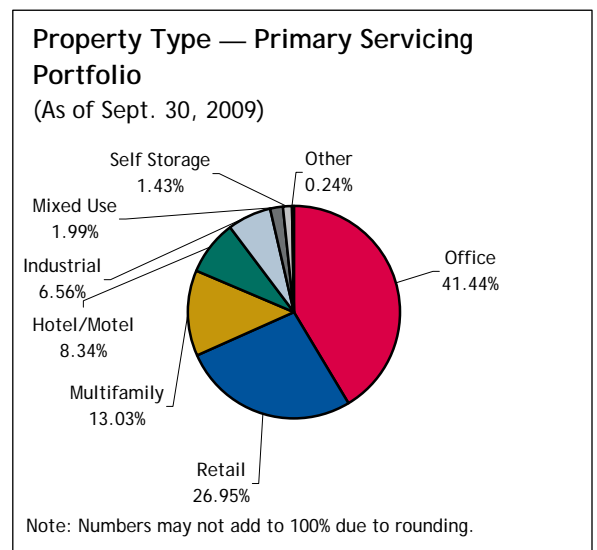
Midland performs the role of application service provider, providing HFF access to Enterprise in a technology environment hosted by Midland. Midland provides support for Enterprise through an MLS Applications Support help desk.

HFF infrastructure systems and the Enterprise servicing system are tested annually for disaster recovery and plans are distributed to employees via the information technology home page on HFF's Nexus intranet. A successful test of the disaster recovery procedure for Enterprise was conducted on Dec. 6, 2008. Both Houston and Dallas data centers are equipped with an uninterruptible power supply (UPS) to provide back-up power.

## Primary Servicing

As of Sept. 30, 2009, HFF's servicing portfolio consisted of 2,041 loans totaling \$24.7 billion, of which 568 loans totaling \$7.8 billion were CMBS. Primary servicing is divided into five different departments: accounting, insurance, tax, real estate, and portfolio management.

HFF has an accounting department, which is responsible for investor reporting functions and is headed by an experienced senior manager. HFF utilizes Microsoft SQL Server Reporting Services to generate custom reports from the Enterprise database. In addition, HFF has implemented a data warehouse on an in-house server, which also is based



on Microsoft SQL Server Reporting Services. The database is refreshed nightly using standard Enterprise data extracts, which are downloaded from Midland's FTP site by an automated process. HFF uses this data warehouse primarily for ad hoc reporting and analyses.

Escrowed taxes are monitored in-house by the tax department on Enterprise and via the nationally recognized tax service, National Tax Search. HFF monitors insurance in-house, with three insurance analysts and an insurance manager. Non-escrowed taxes are tracked on Enterprise, and proof of each tax payment is collected throughout the year from the borrower and/or taxing authorities.

The property inspection process is monitored by the senior real estate analyst from the real estate division. Approximately 35% of property inspections are outsourced to third-party vendors.

HFF utilizes a single point of contact, the portfolio manager, for all customer and borrower communications and requests. Financial statements are collected annually, and the real estate analyst completes the financial analysis with a senior analyst completing the reporting. Portfolio surveillance is managed by each portfolio manager and is specifically dictated by individual lender reporting requirements and criteria.

## Special Servicing

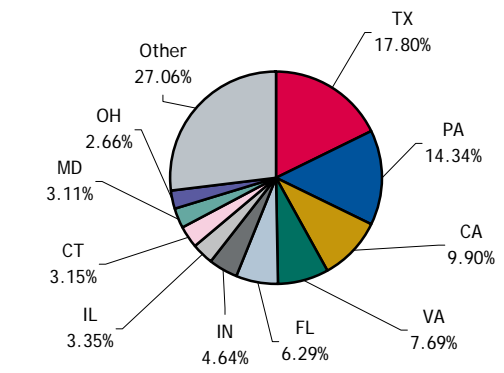
HFF does not currently special service securitized loans or deal with master servicers for CMBS transactions. Instead, HFF currently special services loans for third parties who have purchased subperforming and nonperforming loans in the market. HFF maintains an experienced asset management staff with employees averaging 12 years of industry experience and seven years of company tenure.

Portfolio surveillance is managed by each portfolio manager and is specifically dictated by individual lender reporting requirements and criteria. Daily payment monitoring is performed by the portfolio manager upon review of the daily delinquency report generated in Enterprise. The report is broken down by lender portfolios and reflects all loans wherein the due date has passed and the applicable grace period has expired. Managers of the tax and insurance groups utilize custom reports from Enterprise to monitor all current insurance requirements and proper payment of all property taxes and insurance policies. Any delinquencies or deficiencies are reported to the portfolio manager for review.

The portfolio manager is responsible for organizing and performing market and borrower research for new specially serviced loans. Several sources of data are used in the research process including: third-party market reports, in-house and outside brokers, owners and buyers of properties in local markets, current appraisals, and on-site visits.

All loans specially serviced by HFF are evaluated on a case-by-case basis for cash processing restrictions once they are identified for special servicing. If the specially serviced loan is in monetary default, a posting flag in Enterprise is noted to stop all

**Geographic Distribution — Primary Servicing Portfolio**  
(As of Sept. 30, 2009)



Note: Numbers may not add to 100% due to rounding.

automatic cash processing of the loan and any funds received are directed for manual posting to an accounting analyst. The portfolio manager will review all loan documents and any recent modifications or cash management agreements to determine if the payment should be accepted.

HFF develops business plans when a loan becomes delinquent or upon receipt of a modification request, or any communication indicating imminent default. Plans are updated as the lender response is received.

While HFF is not currently responsible for any REO, the company possesses REO reporting capabilities to a master servicer that include detail around annual budgets, operating statements, the status of REO disposition, and an updated present value calculation of the property value. The REO reports are prepared by the portfolio manager with assistance from the accounting department and are transmitted by due dates outlined in the pooling and servicing agreements.

## Servicer At A Glance — Holliday Fenoglio Fowler, L.P.

<b>Experience (Years)</b>	
Servicing	35
CMBS Servicing	7
Loan Workout	20
CMBS Workout	0
<b>Credit Rating</b>	Fitch does not rate the credit of Holliday Fenoglio Fowler, L.P.
<b>Employees</b>	
Number of Employees	32
<b>Senior Management:</b>	
Experience in Industry (Years)	25
Tenure with Company (Years)	11
<b>Middle Management:</b>	
Experience in Industry (Years)	19
Tenure with Company (Years)	11
Average Training Hours Per Employee Per Year	20
Overall Employee Turnover (%)	9
Management Turnover (%)	0
<b>2008 USAP/Reg AB Audits</b>	Ernst & Young
<b>Servicing System</b>	Midland Loan Services' Enterprise

### Primary Servicing Portfolio

(As of Sept. 30, 2009)

#### Total Servicing Portfolio

UPB (\$ Bil.)	24.7
Number of Loans	2,041

#### CMBS Portfolio, Primary Only (With External Master)

UPB Loans (\$ Bil.)	7.8
Number of Loans	568

### Non-CMBS Special Servicing Portfolio

(As of Sept. 30, 2009)

#### Named Special Servicing

UPB (\$ Bil.)	1.04
Number of Loans	35

#### Active Special Servicing, Not Including REO

UPB Loans (\$ Mil.)	1.04
Number of Loans	35

#### REO

UPB (\$ Mil.)	0
Number of Assets	0

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