Key Touts ‘Streamlined’ Service

KeyBank has launched a small-balance conduit program that promises to provide borrowers with better customer service than is typical on securitized loans.

Under the “Streamlined” program, Key will directly handle all contacts with borrowers during the life of mortgages.

“The important thing to know here is that we are a lender, co-manager, special servicer, master servicer and risk-retention holder,” said Joe DeRoy, senior vice president and commercial MBS program manager. “From loan application to loan payoff, the borrower will never have to talk to anybody but Key.”

The first securitization under the program hit the market this week (KCM 2018-S1). While technically a conduit deal, the offering differs from typical fare in that it is far smaller ($132.3 million) and backed by loans averaging only $4.3 million.

The 31 fixed-rate loans in the collateral pool range in size from $1.3 million to $10.7 million and are backed by a mix of property types, including such niche classes as self storage and manufactured housing. According to DBRS, properties in tertiary or rural markets account for 37.5% of the pool balance. The weighted average coupon is 5.3%, the weighted average seasoning is five months and the weighted average remaining term to maturity is 8.3 years. Performance Trust Capital, a Chicago broker-dealer, is the lead manager.

Conduit borrowers have long complained about red tape, unexpected fees and other servicing problems during the life of their loans. For example, servicers are typically required to sign off on new leases and loan assumptions, and associated contacts with borrowers during the life of mortgages. Widespread complaints have driven some property owners from the CMBS sector entirely.

The CRE Finance Council and individual CMBS dealers have been changing their practices and guidelines in an effort to address the negative perceptions. The trade group this year outlined 10 voluntary guidelines for loan documents that are aimed at improving consistency and removing ambiguities that can lead to disagreements between borrowers and loan servicers. It’s unclear how widely the recommendations have been adopted or how effective they have been.

Also, a handful of dealers, including Citigroup, Goldman Sachs, Deutsche Bank, J.P. Morgan and Wells Fargo, have modified either loan documents or pooling and servicing agreements to try to streamline interactions with servicers.

DeRoy said Key’s Streamlined program is aimed at middle-market borrowers because they are most likely to run into customer-service problems. While complaints by big property owners tend to be addressed quickly, smaller loan clients often fall through the cracks, he said.

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