

Structured Finance

Servicer Evaluations

ARCap Assigned Commercial Primary Mortgage, Multifamily Housing Revenue Bond Servicer Rankings

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NEW YORK (Standard & Poor's) Feb. 1, 2007—Standard & Poor's Ratings Services today assigned its ABOVE AVERAGE ranking to ARCap Servicing Inc. (ARCap) as a commercial mortgage primary servicer and a multifamily housing revenue bond servicer. Concurrently, we affirmed our STRONG ranking on ARCap as a commercial mortgage special servicer. The outlook for all three rankings is stable.

On Aug. 14, 2006, CharterMac Corp. (CMC) acquired a 100% ownership interest in ARCap and its affiliated entities. All of CMC's serviced agency and revenue bond portfolios will be consolidated completely under the existing ARCap primary servicing operation by March 2007.

The assigned rankings for commercial mortgage primary servicing and revenue bond servicing reflect:

- ARCap's three-year track record of servicing very large, complex loans during the presecuritization stage for a number of CMBS conduit loan programs;
- ARCap's well-executed integration of the CMC portfolios into its Dallas-based servicing platform for centralized operational oversight and reporting;
- The company's expeditious hiring of experienced personnel to ensure continuity and its implementation of proactive loan administration procedures to address a greatly enlarged portfolio;
- ARCap's excellent technology environment, which enables efficient internal and investor reporting, detailed asset-level performance tracking, and core loan administration functions; and

- ARCap's ability to leverage existing operational efficiencies, along with its implementation of procedural enhancements this year. These efficiencies, and particularly its portfolio management expertise, should enable a smooth transition from interim servicing for a relatively modest-sized pre-CMBS loan portfolio to servicing a larger, more diverse portfolio.

Further supporting these rankings are the company's highly disciplined asset surveillance and special servicing practices surrounding its funds management and B-piece investments in CMBS. Such practices underscore ARCap's expertise with CMSA reporting and its experience as a proactive portfolio manager. The servicing department is also closely aligned with the staffing and practices of these related business lines. These attributes also collectively serve as positive indicators that ARCap will apply the same proactive portfolio management practices in its role as primary servicer for CMBS, CRE CDO, and revenue bond structures.

The affirmation of the STRONG commercial mortgage special servicer ranking reflects the company's continued excellent asset disposition results for its CMBS trust structures in 2006 (based on timing and net recovery proceeds). ARCap readily established itself as a CMBS special servicer in 2002 to support its related investment business of acquiring positions in subordinated CMBS. Since that time, the company has rapidly progressed to become a highly effective special servicer. The company exhibits a highly disciplined and controlled environment for making sound asset management decisions and executing them promptly. Adding further strength to ARCap's special servicing operation are its substantial staffing depth for both loan and REO assets, and an integrated technology platform for automated data management and reporting.

The cornerstones of ARCap's approach to special servicing are timely asset resolution, proactive interaction with master servicers, and accurate reporting to comply with CMSA standards and REMIC (real estate mortgage investment conduit) rules. ARCap continues to enhance its special servicing infrastructure by cultivating professional staffing depth, applying comprehensive analytics to resolve problems within complex loan structures, and developing efficient data management tools to accommodate portfolio growth.

As of Dec. 31, 2006, ARCap employed 138 people, which included a 33-person staff for primary servicing and 14 employees dedicated to special servicing. The company expects the total headcount in servicing to expand to 36 by mid-2007 as the remaining CMC portfolios, particularly its multifamily housing revenue bond loans, transfer into ARCap's Dallas-based servicing headquarters.

As of Dec. 31, 2006, the total primary serviced portfolio stood at \$12.5 billion (670 loans), with another \$11.5 billion of CMC agency loans and revenue bonds scheduled for transition during the first quarter of this year. Also integral to the growth of primary servicing is ARCap's expansion into CRE CDO transactions. To date, the company

has completed one CRE CDO transaction consisting of 40 assets (\$400 million UPB) serving as collateral manager, special servicer, and corresponding servicer.

Outlook

The outlook for all rankings is stable. We expect ARCap to demonstrate continued proficiency administering a portfolio that is now much larger than it was up to late 2006. Based on the steps ARCap has already taken, particularly to strengthen staffing depth, the company is positioned to execute its servicing duties very competently given its professional depth, effective data management applications, and sound operating procedures. Furthermore, we believe that ARCap's infrastructure provides the necessary tools to offer highly customized, attentive servicing for a wide range of investors and deal structures.

As a special servicer, ARCap's asset recovery results, policies and procedures, and reporting abilities, combined with the quality of its staff, collectively give us confidence that ARCap will continue to serve as a highly effective special servicer for CMBS.

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