

Morningstar Expands Servicer Ratings

Morningstar is creating a rating classification for servicers of securitized consumer loans.

The grades would apply to companies active in areas including auto loans, credit-card accounts, personal loans, solar-power equipment financing and student loans. The first recipient would be **First Associates** of San Diego.

In something of a twist, Morningstar actually rated First Associates a year ago, assigning its top "MOR RV1" grade to the company. But that mark was issued under a program in which the agency evaluates servicers of residential and commercial mortgages, despite the fact that First Associates isn't active in those areas.

Analyst **Monte Bays** said the plan is to bring First Associates under its consumer-loan servicer classification soon. Morningstar will employ a four-notch rating format, ranging from "MOR ABS1" for the strongest servicers to "MOR ABS4" for the weakest ones. The marks will be based on evaluations of staff experience, internal processes, technology and back-up systems, as opposed to the health of the businesses.

Bays said the addition resulted from inquiries from non-mortgage servicers that were interested in ratings like the one Morningstar assigned to First Associates. That company, which has been growing for several years, initially focused on online personal loans and since has expanded into a mix of consumer and small-business financing products.

Along with servicing, it offers administrative services including call-center support and document custody and verification. In 2017, it opened an operations center in

Tijuana, Mexico.

Moody's, S&P, Fitch and **Kroll** issue servicer ratings as well, also with a focus on the mortgage sector. ❖

