



RATING ACTION COMMENTARY

Fitch Affirms K-Star Commercial Special Servicer Rating

Thu 27 Aug, 2026 - 3:43 PM ET

Fitch Ratings - New York - 27 Aug 2026: Fitch Ratings has affirmed the commercial special servicer rating of K-Star Asset Management LLC at 'CSS3+' with a Stable Rating Outlook.

RATING ACTIONS

ENTITY / DEBT ↕	RATING TYPE ↕	RATING ↕	RATING ACTION ↕	PRIOR ↕
K-Star Asset Management LLC CMBS Servicer				
CMBS Special Servicer		CSS3+ Rating Outlook Stable	Affirmed	CSS3+ Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

KEY RATING DRIVERS

The affirmation reflects additional demonstrated proficiency special servicing commercial real estate loans, the completion of the company's first internal audit without material findings, and a full year of internal compliance reviews. The rating also considers elevated turnover and low employee tenure, accuracy of data provided, timeliness of value disclosure and business plans and limited transparency of disaster recovery and business continuity findings and testing.

K-Star is an indirect subsidiary of KKR & Co. Inc. (NYSE: KKR) and collectively with their respective subsidiaries, KKR. The company was formed in 2022 to provide special servicing and asset management support for affiliate CRE direct lending and securitized investment portfolios. Support provided by K-Star is integral to KKR's CRE investments as it becomes operational and assumes direct special servicing responsibility and oversight of primary servicing for the direct lending portfolio. KKR provides finance, accounting, human resources, compliance, facilities and technology support to K-Star through an administrative services agreement.

As March 2026, K-Star had approximately 80 employees, up from 64 as of YE 2024, of which 44 employees spend 25% or more of their time supporting special servicing. The company experienced 23% aggregate turnover during the 15 months ending March 2026 because of one senior, two middle manager and 14 staff-level separations, resulting in the high aggregate and staff-level turnover. Notwithstanding turnover, the company added 34 employees, of which 16 spend 50% of their time supporting special servicing. New hires include four managers who average 13 years of industry experience and 30 staff level employees who average four years of industry experience.

There was no turnover among asset managers during the 15 months ending March 2026, and the number of asset managers increased to eight from four in 2024. Asset managers collectively average 13 years of industry experience and three years of tenure, and maintain an assets to asset manager ratio of 9:1, including securitized and nonsecuritized loans.

K-Star uses RealINSIGHT, a third party-developed application, for special servicing, investor reporting and asset management. Ancillary applications include an internally managed third-party customer relationship management application supporting the CRE originations platform, an internally managed data warehouse for reporting and cloud-based, third-party document management software. Recent technology enhancements continue to maximize the utility of RealINSIGHT to provide business process efficiencies.

The company implemented its Consents 2.0 workflow process to automate the intake, review, approval, and reporting for borrower consent matters within the application, replacing manual emails and spreadsheets. Loan covenant tracking functionality was also expanded to improve compliance oversight. Future technology initiatives include implementation of an Appraisal 2.0 workflow process to automate ordering, review, approval and ongoing tracking of property appraisals within RealINSIGHT.

Fitch identified issues regarding the accuracy of K-Star's data used in key servicer rating assumptions, which contributed to weaker Fitch experience metrics. In reviewing 15 randomly selected active or resolved specially serviced loans, Fitch assessed business plans and discussed ongoing workouts with asset managers. K-Star provided full business plans for 13 loans, while two loans in servicing since 2023 had only brief quarterly summaries, raising concerns and falling short of proficient special servicing standards.

For the remaining loans, business plans were generally current, and asset managers showed strong knowledge of local markets and resolution progress. Fitch also identified 26 delinquent securitized loans without reported 2025 or 2026 appraisal values, including 18 that were 60 or more days delinquent. Asset managers provided updated values or reasonable explanations for some missing valuations. Thirteen loans had unreported values or appraisals in process, one was in bankruptcy, and two had pending resolutions. As of March 2026, the company was managing six REO assets with an average hold time of about one year, and only one was held for more than three years.

K-Star's internal governance infrastructure consists of policies and procedures and key metrics within RealINSIGHT, based on the requirements of individual servicing agreements. Oversight is provided by managers through exception reporting, a dedicated compliance group, internal and external audits, and a credit committee for all material workout decisions. K-Star completed its first internal audit in July 2024. It covered a robust scope of functions, including watchlist reporting/monitoring, loan modification, REO management, performing loan consent reviews, wire processing, account reconciliation, vendor oversight, information security and information barriers.

The next servicing audit is expected to be completed in 2H26, consistent with the function's risk assessment. The company engaged a third-party offshore vendor on a trial basis to evaluate their ability to provide support for administrative functions, including payment postings, invoice processing, and loan boarding in June 2026, with K-Star retaining quality control oversight and approval authority. While K-Star may replace the vendor with technology solutions in the future, the outsourcing of loan boarding, payment posting, and invoice processing functions is atypical among Fitch-rated special servicers.

As of March 2026, K-Star was named special servicer for 49 multiborrower, 12 single-asset single-borrower (SASB) and two CRE-CLO securitization transactions comprising more than 2,000 loans totaling \$46.4 billion. The company added five multiborrower and five SASB securitization assignments during the 15 months ending March 2026. Representing 42% of the servicing portfolio by balance, the company also provides asset management support and primary servicer oversight for the CRE-direct lending portfolio held by KKR

Funds, comprising nearly 530 non-securitized loans totaling \$33.2 billion as of the same date.

Also as of March 2026, the company actively worked out 55 defaulted loans totaling \$3.2 billion and managed six REO assets representing \$223.5 million in outstanding balance. During the 15 months ending March 2026, K-Star completed 26 resolutions representing \$38.1 million in balance, of which four were secured by office, eight by retail, by two lodging, five mixed use, two by industrial and five by multifamily/manufactured housing properties. Resolutions included five discounted payoffs, four payoffs, four REO liquidations, nine note sales, and four loans returned to performing status, one of which was modified to extend the maturity. REO liquidations had an average REO hold time of 1.7 years.

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APPLICABLE CRITERIA

[Criteria for Rating North American Commercial Mortgage Servicers \(pub. 17 Dec 2024\)](#)

[Criteria for Rating Loan Servicers \(pub. 09 Dec 2025\)](#)

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K-Star Asset Management LLC

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