

**REQUEST FOR PROPOSALS FOR  
TBA MORTGAGE FACILITATOR  
FOR  
SINGLE FAMILY HOUSING CONTINUOUS LENDING  
MORTGAGE BACKED SECURITIES PROGRAM**

**SPECIAL NOTE: YOUR IMMEDIATE ATTENTION IS CALLED TO SECTION I.C.  
YOU NEED TO SEND TO US AN EMAIL ADDRESS FOR  
TRANSMISSION OF NOTICES OR INQUIRIES.**

**September 20, 2019**



**Arkansas Development Finance Authority  
900 West Capitol, Suite 310  
Little Rock, AR 72201  
(501) 682-5900**

## **SECTION I: INSTRUCTIONS TO RESPONDENT/GENERAL INFORMATION**

**A. PROGRAM INFORMATION.** The Arkansas Development Finance Authority (the “Authority” or “ADFA”) is seeking professional service proposals to serve as Market Rate Program TBA Provider (“TBA Provider”) for the TBA mortgage loans originated under its continuous funding MBS.

All mortgage loans originated under the program must be in compliance with standard requirements of the United States government agency or government sponsored enterprise that issue the mortgage-backed securities and must be made to persons who qualify under ADFA program rules.

The TBA Provider will be expected to provide a range of services, which include, agreeing to purchase mortgage-backed securities backed by eligible single family mortgage loans (“Mortgage Loans”) at pre-determined prices, managing and hedging the ADFA Mortgage Loan pipeline, monitoring the Mortgage Loan pipeline and fallout, providing training and information to ADFA’s Housing Staff on the means to manage, hedge and monitor ADFA’s Housing Mortgage Loan pipeline, and sell and arrange delivery of mortgage backed securities (“MBS”) to investors. The TBA Provider will agree to provide the range of services for a fixed percentage of the Mortgage Loans purchased. Inherent in the operation of the program, the TBA Provider will bear the financial risks and costs associated with timely Mortgage Loan deliveries and pipeline fallout. The TBA Provider should have a background in administering similar or other innovative programs for housing finance agencies.

The initial term of this engagement will be for two (2) years with the possibility of being extended for up to two years at a time, for a maximum total of seven (7) years..

**B. SUBMISSION OF PROPOSALS.** Written proposals responding to the questions and requests for information in the manner specified in this Request for Proposal (“RFP”) should be submitted to the following:

rfp@arkansas.gov

To be considered, Five (5) physical/hard copies, and one (1) electronic copy of the proposal should be delivered to ADFA not later than October 11, 2019, by 4:00 p.m. (CST). Late proposals will not be accepted. ADFA reserves the right to reject any and all proposals.

**C. ADDITIONAL INFORMATION.** It is the responsibility of the respondent to inquire about and clarify and aspect of this RFP. Questions should be directed to Robert Arrington (Robert.Arrington@arkansas.gov, Director of Homeownership and Public Finance at (501) 682-5910. Substantive questions and answers will be documented in letter form and will be sent by electronic mail to those who provide us with an email address. **IN ORDER TO BE ON THE DISTRIBUTION LIST FOR INTERNET TRANSMISSION OF ALL RESPONSES TO INQUIRIES, YOU MUST IMMEDIATELY ADVISE ROBERT ARRINGTON OF ADFA THE INTERNET EMAIL ADDRESS TO WHICH YOU WANT ALL SUCH TRANSMISSIONS SENT.**

**D. PROPERTY OF ADFA.** Any information or materials submitted as a response to this RFP shall become the property of ADFA and will not be returned. All submitted materials will be available for public review.

**E. RESPONSE TO REQUEST FOR PROPOSAL.** TBA Providers wishing to respond to this RFP may contact the Staff Chair of the Professional Selection Committee, Robert Arrington. **NO CONTACT WITH ADFA BOARD MEMBERS IS ALLOWED, AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE REJECTION OF A COMPANY’S PROPOSAL.**

**F. SELECTION TIMETABLE.**

September 20, 2019  
October 11, 2019  
TBD  
October 17 or November 21, 2019

Request for Proposal Issued  
Proposals Due @ 4:00 p.m.  
Oral Interviews / Site Visits by ADFA Staff (Optional)  
Board Action

**G. SELECTION PROCESS.** The ADFA Staff Professional Selection Committee will review the submitted proposals. Proposals will be evaluated based on responses to specifics outlined in the Proposal Format section of this RFP and based upon the selection criteria. Proposals which omit any of these items may be rejected as non-responsive. From this review, a select group of firms could be chosen for interviews. All proposing firms will be advised of the firms selected. The Board of Directors Professional Selection Committee will make its decision on a recommendation for selection, which will be reported to the Board of Directors of the Authority. The final selection will be made by a vote of the full Board.

ADFA may at any time prior to the selection of TBA Provider reject any and all proposals and cancel this RFP, without liability. . Further, regardless of the number and quality of proposals submitted, ADFA shall under no circumstances be responsible for any respondent costs and expenses incurred in submitting a response to this RFP. Each respondent who submits a response does so solely at the respondent's cost, risk and expense. ADFA accepts no responsibility for the return of successful or unsuccessful proposals. This RFP in no way obligates ADFA to select a firm.

**H. SELECTION CRITERIA.** The Staff Professional Selection Committee, composed of selected members of ADFA, will review the proposals. The Committee generally will use the following criteria to evaluate all acceptable proposals and to develop recommendations to be presented to the ADFA Board Professional Selection Committee; however, the Committee reserves the right to evaluate proposals based upon factors beyond the listed criteria.

In evaluating proposals submitted by firms pursuant to this RFP, ADFA places high value on the following factors, among others, not necessarily in order of importance:

1. Qualifications and experience of the firm and personnel assigned to develop and manage the Single Family Market Rate Program;
2. Financial soundness of the firm, necessary capital resources and ability to meet all eligibility requirements;
3. Experience managing mortgage rate and hedging programs for other housing agencies;
4. Proposed fees for services;
5. Ability to work with the Master Servicer; and
6. ADFA's prior experiences, if any, with the firm and any other factors ADFA believes would be in its best interest to consider.

In addition, related investigations, regulatory proceedings and litigation involving the firm will be taken into account, depending upon the nature and significance of the proceedings.

ADFA reserves the right to award the contract to the firm which will best meet the qualifications required by ADFA, which may or may not be the firm with the lowest bid. ADFA also reserves the right to reject any and all proposals prior to execution of the contract with no penalty or cost to ADFA.

## **SECTION II: SCOPE OF SERVICES AND REQUIREMENTS**

### **A. GENERAL REQUIREMENTS**

In addition to the specific duties outlined above, the TBA Provider will also be required to:

1. Assist in informational meetings for participating Lenders. In conjunction with ADFA and the Master

Servicer, provide training workshops for participating Lenders and provide program informational materials to each Lender, as applicable.

2. Coordinate with ADFA and the Master Servicer to maintain compliance with loan delivery guidelines and expected level of service.
3. Identify pipeline management issues and notify ADFA as to recommended programmatic changes.
4. Publish mortgage rate sheets as often as necessary based on a pricing structure previously agreed to by ADFA, so that the TBA Provider will take all interest rate and financial risk inherent in the making of reservations and the future delivery of MBS. ADFA prefers limiting the publishing of rate sheets to once per day.
5. Monitor reservations, manage hedges, and recommend the process and timing for the pooling, sale and deliveries of MBS.
6. Purchase at prices set in mortgage Rate Sheets all respective Mortgage Loans reserved pursuant to the TBA Provider's Rate Sheet and delivered by Lenders and pooled into MBS securities for timely delivery by the Master Servicer, subject only to offset in the amounts of Lender extension fees, when appropriate.
7. Bear the cost, expense and risk that Mortgage Loans reserved pursuant to the TBA Provider's Rate Sheet are not delivered for any reason without cost, expense or risk to ADFA, provided that ADFA will agree that any Mortgage Loan reserved pursuant to the TBA Provider's Rate Sheet timely delivered to it as a part of a mortgage-backed security will be delivered to the TBA Provider.
8. Submit weekly reports to ADFA detailing pool purchase commitment and deliveries and any additional information that may be required in a format and timeframe prescribed by ADFA. These reports should include information regarding the current status of the pipeline, the amount of Mortgage Loans expected for delivery as mortgage-backed securities on or before each settlement or delivery date for forward commitment MBS, any pair-off receipts and expenditures in connection with forward commitment MBS subject to pair-off, current and historic pull-through rate for reserved Mortgage Loans, an accounting of current and historic receipts from sale of mortgage-backed securities, prices paid for the mortgage-backed securities, fees received by the TBA Provider and all other profits, losses and receipts retained by the TBA Provider. TBA Provider compliance with the terms of the agreement and performance will be assessed from submitted reports.
9. Maintain transaction records, and prepare and present detailed monthly status reports to ADFA regarding Program performance including: (i) the number and dollar amount of MBS pooled and purchased to date and (ii) additional information or analysis deemed necessary by ADFA
10. Perform all other duties as set forth in the Single Family Market Rate Program TBA Provider Agreement.

## **B. WORK PLAN AND APPROACH**

1. Pooling Process and Hedging. Outline and explain the process from loan reservation to the purchase of the loans and issuance of the MBS. Describe how you would propose to hedge ADFA Housing's Mortgage Loan rates under the Programs. Describe any provisions for extensions. Please provide a detailed example of a mortgage rate chart your firm would provide as of **9:00 a.m. ET Friday, September 13, 2019** for 30-year Fixed Rate Mortgage Loans to be included in the Program with the following assumptions:

- a) 3% down payment assistance to home buyers,
- b) 1% origination fee paid by the borrower and retained by the originating lender,
- c) 1.75% SRP fee paid by the Master Servicer for servicing rights (assume this same fee for all servicing fee levels),
- d) The proposed fee for your firm detailed, showing:
  - i. the proposed price to be received by ADFA for such Mortgage Loans securitized and delivered pursuant to the mortgage rate chart, including a breakdown of the disbursement related to that price with respect to the assumptions above,
  - ii. the mortgage rate the home buyer will receive,
  - iii. the timeframe within which any Mortgage Loans securitized and delivered pursuant to the mortgage rate chart must be delivered in order to obtain the pricing,
  - iv. all applicable delivery dates, purchase dates, underwriter certification dates and
  - v. any other timing restrictions applicable to the Mortgage Loan reservation and delivery process applicable to the borrower, the lender, ADFA or any other party,
  - vi. any proposed extension fees and the related extension periods, and
  - vii. all other information needed to determine such price and restrictions applicable to the reservation and Mortgage Loan delivery process.

Provide a copy of the computer screen or other pricing source confirming the prices upon which the mortgage rate chart for September 13, 2019 is based. Indicate how you will determine and ADFA will evaluate pricing on future dates to assure the all-in pricing is as advantageous to ADFA and its borrowers as possible, given market changes from the illustrative date.

- 2. Daily Mortgage Rate Sheet. What date each month does the pricing for the daily mortgage rate sheet roll one month further into the future?
- 3. Risks and Responsibilities. Based on your proposal, please describe in detail all risks and responsibilities from the proposed transactions that will remain with ADFA under the Program. What risks does your firm propose to take? Describe any guarantees your firm will be providing.
- 4. Technology. Provide a description of your organizational and technological approach to performing your firm's responsibilities as TBA Provider. Identify the software used by your firm to manage and monitor its total pipeline and the pipeline applicable to ADFA Housing. How does your firm interface with the MITAS software utilized by ADFA Housing to monitor loan reservations, loan closings, cancellations and other activities related to the Mortgage Loans?
- 5. Potential Future Mortgage Revenue Bond Issues. Because ADFA may reinstitute funding First-Time Homebuyer loans through the issuance of tax-exempt bonds do you foresee any difficulties operating both programs simultaneously?
- 6. Subcontracting. If your organization plans to subcontract any of the services required to be provided as TBA Provider, please indicate which, if any, will be subcontracted. Please describe.

7.

### SECTION III: PROPOSAL FORMAT

- A. **TRANSMITTAL LETTER**. A one-page transmittal letter prepared on respondent's business stationery should accompany the proposal.
- B. **PROPOSAL**. The proposal should be labeled "Arkansas Development Finance Authority Single Family Housing Continuous Lending Mortgage Backed Securities Program." The submission must contain sufficient information to enable the ADFA Staff and Board Professional Selection Committees to evaluate the proposal. It should be prepared in a clear and concise manner and should address each of the

following items as well as those outlined in Exhibit B:

**C. BACKGROUND AND EXPERIENCE**

The following information must be submitted with the proposal in the following order to be considered by ADFA:

1. Firm Information. State full name and address of your firm and identify the parent company if you are a subsidiary. Specify the office that will perform, or assist in performing, the work. Indicate whether you operate as a partnership, corporation, or sole proprietorship. Indicate where your company is headquartered and where it is incorporated as applicable. You must submit evidence of authorization to do business or operate in the State of Arkansas. Provide the location(s), extent and capabilities of the firm's offices and employees in Arkansas. Discuss any substantive changes in your firm's organization or ownership within the last three (3) years. Describe any changes anticipated in the next year in firm organization or ownership.
2. Firm Ownership. Pursuant to the "Inquiries" Section of this RFP, any response under this RFP shall disclose the name of the individual, entity and/or entities having ownership interests in the respondent. All entities identified in this disclosure shall be reduced to their human being level irrespective of the number of entity layers which may be present for any disclosed entity. Notwithstanding the previous sentence, to the extent any respondent under this RFP is a publicly traded corporation, such a Respondent may limit this disclosure to all board members, officers (and other key employees) and any shareholders owning or controlling ten percent (10%) or more of the corporation. Questions regarding these requirements or any other requirements or restrictions within this solicitation may be directed to ADFA Housing.
3. Qualifications and Experience. Provide evidence of qualifications and experience in mortgage-backed securities programs, FHA, VA, RD, and conventional mortgages, and single-family programs operated by housing finance agencies.
4. HFA TBA Experience. Provide evidence of qualifications and experience operating market rate programs for housing finance agencies or other governmental entities providing similar functions. Include the volume of mortgage loans purchased through your program with HFAs during each of the past three years.
5. References. Provide names, addresses, telephone numbers and email addresses of up to three clients we can contact concerning your firm's performance as TBA Provider for similar mortgage loan programs. List references for which you have acted as TBA Provider, currently or in the past, including name, address, telephone number and contact person including email address. Please provide this information for all housing finance agencies for which you have provided these services.
6. Contact Person and Staffing. Provide names and brief resumes of all key personnel who will be assigned to this program and the primary responsibilities assigned to each person. Provide the name, address and telephone number for the contact person in your firm authorized to negotiate agreement terms and render binding decisions on contract matters.
7. Office Location and Capacity. Provide the location of the office that will administer the program. Indicate the number of and identify the positions of personnel that will be available to answer questions during the term of the contract.
8. Experience with Master Servicer. Describe your firm's past experience providing a market rate and hedging program with ADFA's Master Servicer. Are there any unique characteristics or considerations of the Master Servicer as it relates to the market rate and hedging program that

ADFA should consider?

9. Audit Reports. Submit the audited financial statements for the 2 most recent fiscal years of the firm proposing to act as TBA Provider, and if the proposing company is a subsidiary and/or has any guarantor arrangements, and the most recent audited financial statements of its parent company.
11. Capital Adequacy. Describe the assets, liabilities and net asset position of the firm and the nature of any capital arrangements available to the firm. Because ADFA is relying on the TBA Provider to acquire all respective Mortgage Loans reserved pursuant to the TBA Provider's Rate Sheet and delivered by Lenders and pooled into MBS securities for timely delivery by the Master Servicer, describe the source of financial assurance to ADFA that your firm can honor its obligations to ADFA. Specify the amount of the firm's capital position, the amount of hedges obligated for its loan pipeline for similar programs, the amount of capital pledged to counterparties for those hedges and the total amount of loans reserved or otherwise obligated within its loan pipeline, all as of August 31, 2019. Describe the amount of capital available at any one time to hedge the firm's entire loan pipeline for all its clients. Assuming market prices move down seven points on the hedges for the firm's entire loan pipeline at one time, what is the maximum size of the pipeline your firm can hedge with the available capital as described above? What is the largest pipeline your firm has managed to date?
12. Litigation, Investigations and Regulatory Proceedings. Provide a summary of all inquiries, investigations or civil litigation initiated, in progress or closed by any federal or Arkansas agency during the past three years regarding the conduct of your firm, your firm's management or personnel, and that of any guarantor or affiliate, and management and personnel of any guarantor or affiliate. Describe with specificity those actions taken against your firm, any guarantor, or any affiliate or any employees of the firm, any guarantor, or any affiliate resulting in fines, suspensions, censure, or similar resolution. Provide a summary of your firm's self-reporting in accordance with the SEC's Municipalities Continuing Disclosure Cooperation (MCDC) initiative, including any related settlements. Provide a summary of any criminal inquiries, investigations, indictments or convictions against your firm or any employee of your firm (in connection with the employee's work responsibilities for the firm) initiated, in progress or closed during the past four years. Provide a summary of any civil litigation initiated, in progress or closed during the past three years involving the firm or any employee's work responsibilities for the firm. Failure to respond fully to this question or to refer to public filings rather than provide the information directly may result in disqualification. If necessary, responses to this question may be included in as a separate appendix to the proposal.
13. Sample Agreement. Provide a sample of the firm's Single Family Market Rate Program TBA Provider Agreement.
14. Sample Reports. Provide copies or samples of the weekly and monthly reports the firm would provide to ADFA. Provide copies of a reconciliation report the firm would provide ADFA each month showing the amounts received by and paid by the TBA Provider and payments to ADFA.
15. References. Provide at least three (3) references from State HFA's (or similar) that you currently provide TBA services for. Include contact names and information, please.

#### **D. PROPOSED FEES**

1. Itemized Costs. Provide a proposed itemized cost schedule for the services described in this RFP.
2. TBA Provider Service Fees. Please provide a fee proposal for your Single Family Market. Under the fee proposal will the TBA Provider receive, potentially receive or have the opportunity to receive or otherwise obtain any other revenues, profits or assets through its services to ADFA Housing. Describe in detail. To the extent the TBA Provider may realize additional revenues from early delivery

of Mortgage Loans or securitization into Custom Pools or other structures with above-market value, what portion, if any, of those additional revenues will the firm share with ADFA Housing?

3. Other Fees. State, describe, and estimate any other fees, reimbursable expenses and any upfront charges your firm will require to act as TBA Provider.
4. Other Compensation and Potential Conflicts of Interest. Indicate any other forms or amount of compensation or profit the TBA Provider will or may receive from any other party in conjunction with the services hereunder and the sale of the MBS, including from the Investor, Master Servicer, ADFA Housing or any other party. Indicate any potential actual or perceived conflicts of interest that may occur as a result of your serving as TBA Provider.
5. Equal Opportunity Statement. Please submit your Equal Opportunity Policy to ADFA in accordance with Arkansas Act 2157 of 2005. This act requires any firm wishing to respond to an RFP or submit a proposal or statement of qualifications to provide ADFA with your Equal Opportunity Policy.
6. Acceptance. Submission of proposals, in response to this Request for Proposal, constitutes acceptance of all conditions, requirements and limitations described in this document.