



## **Request for Proposal: Master Servicer of Mortgage Loans**

*Application Deadline: December 14, 2018*

**Proposals must be received no later than 4:30 p.m. on Friday, December 14, 2018. Proposals must be signed by an authorized individual. Submissions should be mailed or sent electronically to the following contact:**

**Kaili Braa  
Dakota County CDA  
1228 Town Centre Drive  
Eagan, MN 55123  
[kbraa@dakotacda.state.mn.us](mailto:kbraa@dakotacda.state.mn.us)**

Questions related to this request for proposals (RFP) may be submitted in writing to [kbraa@dakotacda.state.mn.us](mailto:kbraa@dakotacda.state.mn.us) by November 28, 2018. Responses to submitted questions will be provided in writing, and if deemed relevant to all potential respondents, will be posted to the Dakota County CDA website at the following address: <https://www.dakotacda.org/doing-business-with-the-cda/contracting-opportunities/>.

### **Dakota County CDA Background**

Established in 1971, the mission of the Dakota County CDA is to improve the lives of Dakota County, Minnesota, residents and to enhance community vitality through housing and community development. In its role as the Housing and Redevelopment Authority for Dakota County's 400,000 residents, the CDA works across the affordable housing spectrum by: administering the Housing Choice Voucher program; managing the Public Housing program; assisting first-time homebuyers and other eligible borrowers through its First Time Homebuyer Program (which includes mortgage revenue bonds, TBA sales and mortgage credit certificates); financing affordable housing developments through the use of Low Income Housing Tax Credits,

tax exempt bonds, and other local and state resources; developing and managing affordable workforce housing and senior housing; and providing educational resources and mortgage financing for low- and moderate-income homeowners.

### **First Time Homebuyer Program Background**

The Dakota County CDA established its First Time Homebuyer Program in 1983, and since that time, has assisted over 6,000 low- and moderate-income families in purchasing their first home in Dakota County. Over the course of its program, the CDA has provided over \$736 million in first mortgage financing through the issuance of mortgage revenue bonds and sale of mortgage backed securities, over \$15 million in Mortgage Credit Certificate authority, and another \$6.4 million in down payment assistance loans to address the entry cost barriers of homeownership. The CDA is committed to sustainable homeownership and is seeking a Master Servicer for its First Time Homebuyer Program to perform servicing functions in a manner consistent with this goal.

The CDA expects that approximately 20 Participating Lenders with approximately 250 eligible mortgage loan officers will originate between 50 and 250 Mortgage Loans per calendar year and sell them to the Master Servicer. The volume of Mortgage Securities financed is expected to be within a range of \$10 million to \$35 million each calendar year. Over the course of the current TBA program, the CDA has averaged 66 Mortgage Loans per calendar year and approximately \$11.5 million in Mortgage Securities. In years where the program has been funded through the use of mortgage backed securities, the average volume of loans has been higher. The CDA seeks a Master Servicer capable of servicing a range of volumes, with a mutual goal of growing program volume to the greatest extent financially feasible.

In connection with each Mortgage Loan, the Master Servicer will pay an agreed servicing acquisition fee to the CDA. The Master Servicer will pool the loans for Ginnie Mae (“GNMA”), Fannie Mae (“FNMA”) or Freddie Mac (“FHLMC”) securities (“Mortgage Securities”) and will sell the securities to the CDA or a trustee. The CDA expects to finance Mortgage Securities either with mortgage revenue bonds or by selling such securities in the TBA secondary market, but the CDA may select other means of financing Mortgage Securities as it deems appropriate.

### **Scope of Request for Proposals**

The Dakota County CDA is requesting proposals from qualified mortgage servicing entities to function as master servicer for the CDA’s First Time Homebuyer Program, with the potential to service loans from other CDA programs, if mutually agreeable. Respondents should address each of the numbered items within the RFP and provide documentation as appropriate. The contract will cover an initial term of one (1) year with an option for up to three annual extensions.

### **The responsibilities of Master Servicer include:**

- Coordinate with the CDA on lender approval and management of the network of participating lenders, with acceptance or streamlined approval of lenders already approved within that network
- Provide training for participating lenders on processes such as servicer lender approval, loan file submission, loan file deficiency resolution, loan purchase, or other topics relevant to participating lenders, with training available on-demand to the greatest extent feasible
- Provide excellent customer service to participating lenders and CDA staff, including communication and consultation regarding loan purchase and servicing processes, regulatory requirements, compensation for mortgage loans purchased, proposed servicer overlays, or other relevant topics
- Review and purchase first mortgage loans for servicing from participating lenders, confirming all documentation required by loan product and CDA program is complete and properly executed
- Review and purchase for servicing corresponding CDA down payment assistance loans, including deferred loans (currently serviced by the CDA), as mutually agreeable to CDA and the Master Servicer
- Service loans for other CDA programs for low and moderate-income homeowners, including deferred loans (currently serviced by the CDA), as mutually agreeable to CDA and the Master Servicer
- Accept for purchase mortgage loans underwritten via industry-standard automated underwriting systems, as acceptable to the CDA
- Accept for purchase mortgage loans manually underwritten to FHA, VA, USDA-RD, Fannie Mae and Freddie Mac guidelines, as acceptable to the CDA
- Advance funds for the servicing release premium for purchased loans
- Pool and assign the FHA, VA and USDA-RD Mortgage Loans to GNMA under the terms of its GNMA Guaranty Agreement and issue its GNMA Certificates (in the form of GNMA I or GNMA II securities) backed by the FHA, VA or USDA-RD Mortgage Loans for sale to the CDA or a trustee
- Pool loans to Fannie Mae/Freddie Mac in exchange for securities to be sold to the CDA or a trustee
- Facilitate whole loan purchases for loans that don't meet securitization requirement, per instructions of CDA or its authorized agent
- Facilitate delivery and settlement of whole-loan cash sales to GSEs, per instructions of CDA or its authorized agent
- Repurchase non-conforming loans for resale to originating lender, as applicable
- Review, purchase, and service loans in accordance and in compliance with Federal and State regulations, CFBP, HUD, Ginnie Mae, Fannie Mae, Freddie Mac, or other applicable requirements

- Provide excellent customer service to borrowers of purchased loans, and service loans with a loss mitigation strategy that supports successful homeownership
- Provide sufficient data, in a format acceptable to CDA, to inform CDA of participating lender performance, loan performance, loan cancellations, lender purchases, loan file deficiencies and purchase timeframes, consumer servicing complaints and resolutions, loss mitigation efforts for program borrowers, or other matters required for effective program management and performance monitoring, as well as required reporting
- Collaborate with CDA on addressing any loan performance, regulatory compliance, consumer complaints, or other concerns that may arise over the course of the contract.

**Minimum requirements of respondents include:**

1. Qualified to do business as a servicer of residential mortgage loans in the State of MN
2. Approved by GNMA to sell and service Mortgage Loans having FHA Insurance or a VA Guaranty or USDA-RD Guaranty; is a FHA/VA approved mortgagee; meets all the issuer eligibility requirements of GNMA; and approved by GNMA to issue mortgage backed certificates guaranteed by GNMA
3. Approved by FNMA and FHLMC to sell and service conventional Mortgage Loans; meets all of the issuer eligibility requirements of FNMA and FHLMC; approved by FNMA and FHLMC to deliver qualified Mortgage Loans to FNMA and FHLMC to back FNMA and FHLMC certificates; and approved to service such Mortgage Loans
4. Have experience with state and/or local housing finance authorities in a Mortgage Backed Security (MBS) Program including experience in administering and servicing TBA programs
5. Have the ability to service junior liens (e.g. amortizing, deferred or forgivable)
6. Capacity to purchase loans on a daily basis using a schedule determined by the CDA
7. Have an established loss mitigation strategy that supports successful homeownership
8. Ability to integrate data with CDA's loan reservation system of choice (currently eHousing Plus/HDS Companies)
9. Ability to implement Master Servicer contract and conduct responsibilities without material disruption to ongoing First Time Homebuyer Program

**Please explain how your company addresses the following:**

1. The commitment to servicing state and local HFA loans and how this line of business is balanced with other company priorities and lines of business. Provide a copy of your company's most recent audited financial statement, the total number and amount of HFA loans purchased and serviced over the past five years, and the total number and amount of HFA loans serviced as of the end the most recent fiscal year.

2. Managing lender relations, approach to correspondent lenders, lender performance evaluation, methods for providing lender training, and systems of communication with lenders both pre- and post-closing.
3. Timeliness in the loan purchase process- provide data on the standard and current calendar days required for each step in the loan purchase process. Describe the technology systems used in the loan purchase process and any ability for lenders to access that system to resolve loan deficiencies in a timely manner. Discuss loan pipeline management and how fluctuations in loan volume are addressed.
4. Ongoing organizational management and expertise for servicing HFA loans, including transition planning and any proposed outsourcing of duties. Describe your company's approach to maintaining servicing for the duration of a loan or selling servicing rights. Describe your approach to financial risk management, including financial controls and oversight and applicable insurance coverage.
5. Portfolio performance- describe how loan performance is measured and monitored, including data on loan performance for most recent 5 years. Provide the most recent ratings by applicable third-party rating agencies, such as FHA Scorecard, Fannie Mae STAR Performance Scorecard, and Freddie Mac Servicer Success Scorecard. Describe how portfolio performance is approached across the company's HFA balance sheet and the impact that any individual HFA's portfolio performance, whether strong or poor, may have on the other HFAs.
6. The commitment to successful homeownership and approach to loss mitigation. Provide information on customer support methods, including alternative formats and languages, customer satisfaction results, and how customer complaints are addressed. Describe outreach efforts to both borrowers and HFAs to address loan delinquencies. Provide data on the number of loan modification requests and approvals, and the performance of those loan modifications over the past 5 years. Provide data on other loss mitigation strategies, as available.
7. Technology and data security- describe the physical location, technology systems used in loan file submission, purchase, and servicing, and the physical and technological protocols in place to ensure data security and integrity. Describe the technology capabilities the CDA would need in order to integrate with your company's systems. Summarize your company's Business Continuity and Disaster Recovery plans, with full plans available upon request.
8. Regulatory compliance, including oversight controls for compliance, the process for communicating with HFAs and participation lenders about proposed or new regulations

that impact the mortgage process, and how non-compliance is addressed. Describe the process for monitoring regulatory proposals or changes.

9. Product development and implementation- describe how credit risk is evaluated when considering adding new products/programs. List all servicer credit overlays to applicable FHA, VA, USDA-RD, Fannie Mae, and Freddie Mac products and whether individual HFAs can negotiate overlays based on loan performance. Confirm your ability to service all loan types available to the CDA: FHA, VA, USDA-RD, Fannie Mae HFA Preferred, Freddie Mac HFA Advantage, and junior liens (including deferred loans). Describe servicer requirements for manually underwritten loans.
10. Secondary Market Settlement - describe the process for loan purchase, pooling, delivery on the secondary market, and financial settlement of the sale transaction. Include the minimum number of business or calendar days required for each stage by loan type. Provide example MBS settlement documents for review. Confirm the ability to work with the CDA's selected trustee (currently US Bank) and broker (currently RBC Capital Markets) for loan/MBS pooling, delivery, and settlement.
11. Pricing and financial considerations, including proposed CDA and lender compensation and how these pricing levels are set in your pricing model. Explain the proposed pricing model and alternative pricing models available in detail. Describe how frequently changes in pricing levels occur and what factors are considered, including whether any specific attributes of HFA loans are considered in the pricing model. Identify any fees for the CDA and borrowers/lenders, along with any cash advances or minimum available capital required of the CDA. Describe your loan warehousing process. Describe in detail any risks or liabilities that would be shared by the CDA and provide data on the impact of those risks/liabilities on the HFAs already within your portfolio over the previous 5 years.

**Conflicts of Interest:** Respondents must disclose any instances in which the firm or any individuals have a possible conflict of interest and, if so, the nature of that conflict. CDA reserves the right to cancel the award if any interest disclosed from any source could either give the appearance of a conflict or cause speculation as to the objectivity of CDA's selection process.

**References:** Provide contact names and information for three (3) Housing Finance Agencies (at least one local HFA), two (2) regional lenders, and (2) national lenders as references.

**Disclosure of Information and Contracts; Data Privacy:** All materials submitted in response to this RFP are property of the CDA and will become public records in accordance with Minnesota Statutes 13.591 after the evaluation process is completed. Each respondent acknowledges that CDA is a public body subject to open meetings laws, public records laws and other State

disclosure and transparency laws and regulations and that all contracts, agreements and communications of any kind between the CDA and such respondent are and will be subject to such laws and regulations. Each respondent further acknowledges that it is aware of and will be subject to any and all State and federal laws and regulations governing the protection and privacy of borrower information and other confidential material.

**Respondent's Certification:** By signature on the proposal, the Respondent certifies that it complies with:

- The laws of the State of Minnesota
- All applicable local, state, and federal laws, codes, and regulations
- All terms, conditions, and requirements set forth in this RFP
- A condition that the proposal submitted was independently arrived at without collusion
- A condition that the offer will remain open and valid for the period indicated in this RFP

**Proposal Evaluation:** Proposals will be evaluated in totality, with selection based on the proposal that best meets the CDA's objectives for its First Time Homebuyer Program, in the CDA's sole discretion.

Evaluation criteria include:

- 1) competitive pricing structure
- 2) capacity to perform duties outlined in RFP at a high level
- 3) ability to support growth in the CDA's First Time Homebuyer Program
- 4) willingness to collaborate with the CDA to ensure processes and servicing structure incorporate the interests of the CDA, the Master Servicer, and program borrowers
- 5) commitment to sustainable homeownership for borrowers
- 6) Experience of other HFAs using the proposed servicing model, including- but not limited to- those providing references

***The Dakota County CDA reserves the right to cancel this RFP, reject any and all proposals, select a party other than a party responding to this RFP, change any term of this RFP without notice or select the proposal which best accomplishes its objectives, in its sole discretion. The CDA reserves the right to request clarification or additional information from respondents. Prior to making the final decision, the CDA reserves the right to negotiate with the most favorable respondent terms and conditions that may be different than proposed. The CDA anticipates selecting a Master Servicer approximately eight weeks from the due date of the RFP.***