



**REQUEST FOR PROPOSAL (RFP)
FOR DEVELOPMENT OF A
HOMEBUYER ASSISTANCE PRODUCT FOR THE
HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY (HEART)**

1. OBJECTIVE

The Housing Endowment and Regional Trust of San Mateo County (“HEART”) is seeking proposals from experienced community home mortgage lenders to design, manage, and operate a commercially competitive, co-branded first-time homebuyer assistance loan product for low- to middle-income households who live or work in San Mateo County.

2. BACKGROUND

HEART is a joint powers authority, formed in 2003, to raise capital from public and private sources to address critical housing needs in San Mateo County. HEART’s governing board includes elected officials from its 21-member jurisdictions, plus at-large members who bring perspectives from key housing stakeholder communities such as business, labor, education, health care, real estate and financial industries, and faith communities.

HEART finances the construction, rehabilitation, and purchase of homes affordable to middle- and low-income employees of local businesses, as well as seniors and other fixed-income residents. To date, HEART has invested \$19.1 million to fund 1,300 affordable homes. Additionally, HEART has been at the forefront of many breakthrough projects, such as helping School Districts develop Teacher Housing, developing plans for model ADU units, establishing a program to borrow idle housing funds from cities to initiate the development of low-income and workforce housing throughout the County.

In addition to its affordable housing development program, HEART operates a first-time homebuyer program in partnership with Meriwest Credit Union (Meriwest). Created in 2008, the program offers current residents or workers of San Mateo County an opportunity to purchase a home with a 5% down payment. HEART provides a second loan for 15% of the purchase price, which allows the buyer to avoid private mortgage insurance (“PMI”). Since its inception, HEART has completed 88 loans through this program, helping families who would otherwise not be able to live or stay in the County.

In an effort to ensure HEART is providing the best possible programs to help San Mateo County residents and workers purchase their first home, HEART has a policy of obtaining competitive bids on the services it uses from time to time. HEART will review all proposals it receives and determine whether it will form an exclusive partnership with one entity or enter into partnerships with more than one and offer residents the option of choosing from various lending partners.

3. PRODUCT / PROGRAM DESCRIPTION

As envisioned, the Opening Doors Homebuyer Assistance loan product/program is a co-branded, custom mortgage that offers a substantial resource to homebuyers who live or work in San Mateo County.

3.1. Purpose

The primary purpose of the Opening Doors Homebuyer Assistance loan program is to help people who can afford a conventional mortgage payment but who do not have a 20% down payment of as much as \$181,000, plus closing costs, for a conventional Fannie Mae mortgage. HEART's loan, for up to 15% of the purchase price, serves as a down payment allowing the borrower to avoid PMI and become a homeowner

3.2. Program Structure

HEART has developed a program concept in this RFP which provides design guidelines to ensure the realization of the intended character of the Opening Doors Homebuyer Assistance program. These guidelines are to be used by respondents to assist them in completing a proposal. HEART will use these guidelines as a framework for evaluating proposals. The guidelines are intended to be specific enough to guide response through the RFP, while at the same time allow flexible so as not to preclude creative design solutions. The RFP response is an opportunity to demonstrate relevant experience and topical expertise. Ultimately, the specific details of product and program will be negotiated with the selected respondent(s).

The program is currently structured with the borrower providing a 5% down payment, the partner credit union (Lead Partner) providing an 80% first loan based on Fannie Mae guidelines, and HEART providing a 15% second loan. The specific borrower and property qualifications are discussed in section 4.

As discussed in further detail below, program administration services such as marketing, homebuyer education workshops, answering public queries about the loan, as well as underwriting, document origination, and funding/closing coordination for the second loan are provided by the Lead Partner. Therefore, the Lead Partner must demonstrate its ability to provide these services and/or assemble a program team with the requisite experience and capacity.

3.2.1. Lead Partner Loan Product (1st Loan)

The Opening Doors Homebuyer Assistance Program seeks to offer low-risk and low-cost loans with favorable terms to buyers. The ideal first loans would offer a 30-year, conforming or high-balance fixed-rate loan. Please enter the terms of the first loan product your organization would provide for the First Loan. A respondent may provide information on alternative first loan products, such as adjustable rate mortgages, if it believes such mortgages would advance the goals of the program. More than one alternative loan product may be proposed on additional pages along with a description of how the Alternative First Loan will benefit borrowers.

Terms	First Loan	Alternative First Loan
Current Interest Rate		
Fixed/Variable		
Points		
DTI		
FICO		

Total Closing Costs		
Check if Portfolio		
Check if conforms to Fannie Mae Guidelines		

Description of Alternate First Loan Product:

3.2.2. HEART Loan (2nd Loan)

The second loan of 15% is subordinate to the first loan and is currently funded by HEART. The Lead Partner would purchase the loan, and HEART would guarantee it through a pledge account. The terms of the second loan must be agreed upon by HEART and the Lead Partner. Currently, the second loan is a 15-year, fixed interest rate loan amortized as a 30-year loan with a balloon payment due at year 15. However, the respondent may recommend different terms under this proposal. Ideally the interest rate should be standardized at a set amount above the first loan. The Lead Partner would purchase the HEART loan after closing. HEART currently does not retain any second loans, but at its sole discretion may elect to keep some in the future. HEART charges a \$400 second loan processing fee, but the amount may moderately increase in the future.

Terms	Second Loan	Alternative Second Loan
Current Interest Rate		
Fixed/Variable		
Points		
DTI		
FICO		

Agree that HEART may keep some loans in the future at its sole discretion.

3.2.3. Second Loan Fund

HEART currently issues up to \$3 million in loans under the Program ("Loan Fund"). The Loan Fund will be the aggregate of the following amounts determined with respect to each 2nd Loan purchased by Lead Partner under the Program: the amount owned by the borrowers to the lender, and the funds available up to the agreed upon Loan Fund amount.

- Enter the amount of HEART second loans your organization will purchase from the Loan Fund: \$_____

3.2.4. Guaranteed Amount for Second Loan

HEART will guarantee each 2nd Loan purchased by the Lead Partner under the Program, up to an agreed upon amount (“Guaranteed Amount”). The Guaranteed Amount will serve as the maximum amount HEART shall be liable for losses incurred for the loans purchased by the Lead Partner for the entire balance purchased. Losses in excess of the Guaranteed Amount will be borne by Lead Partner. HEART and the Lead Partner will negotiate the amount of the Guaranteed Amount necessary to operate the Loan Fund.

- Enter the amount of the Guaranteed Amount: \$_____

3.2.5. Pledge Account for Second Loan

HEART will establish a pledge account (“Pledge Account”), that will hold an agreed upon amount of funds at a time, as security for the Guaranteed Amount. At the Lead Partner’s discretion, HEART will deposit the Pledge Account funds into an interest-bearing deposit account with the Lead Partner. HEART and the Lead Partner will negotiate the amount of the Pledge Account necessary to operate the Loan Fund.

- Enter the amount of the Pledge Account required for the Loan Fund: \$_____

3.2.6. HEART Loan Approval Process / Underwriting

The Lead Partner must provide underwriting for the second loan. The Lead Partner also serves as the primary contact with the borrower for all necessary underlying documentation, and verifies that the borrower qualifies based on the program criteria that are provided by HEART. After the Lead Partner approves the borrower, the Lead Partner provides HEART with a summary of the loan data for review and approval.

- Agree that as Lead Partner, can provide the services as described above; or
 - As Lead Partner, can provide the following underwriting services: _____
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3.2.7. HEART Loan Documents

The Lead Partner must generate all second loan documents and disclosures. HEART would provide the necessary templates. The Lead Partner would generate the loan documents, including organizing all necessary signatures for the second loan, and submit them directly to escrow. After Lead Partner generates the loan documents, Lead Partner provides HEART with the loan documents for review and approval.

- Agree that as Lead Partner, can provide the services as described above; or
 - As Lead Partner, can provide the following loan document preparation services: _____
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3.2.8. HEART Loan Closing Process

The Lead Partner must coordinate the entire closing process for the second loan in coordination with the first loan, including obtaining all necessary signatures from the borrower. The Lead Partner also serves as the primary contact with the borrower and title company for all necessary documentation and signature coordination.

- Agree that as Lead Partner, can provide the services as described above; or
- As Lead Partner, can provide the following closing coordination services: _____

3.2.9. HEART Loan Funding/Escrow Process

Under the current Program, HEART funds the second loan and is reimbursed upon home purchase closing. To comply with this process, HEART staff must wire its funds into an escrow account with the title company. Because the wire is for a significant amount of money, HEART must comply with substantial bank wire procedures to secure against fraud. Ideally, HEART would like to simplify the process to the extent possible by establishing a process where the bank has authority to wire HEART funds along with Lead Partner’s first loans upon authorization from HEART. The Lead Partner would operate the entire funding coordination for the second loan, with HEART authorization. The funds are to be used from an established and funded account that may be separate from the Pledge Account, or as part of it. (check appropriate box):

- Lead Partner can wire HEART funds, upon approval, subject to following requirements and process: _____

- HEART must wire funds and initiate wire transfers subject to the following process: _____

3.2.10. Costs of Application Process

Under the current Program there is no cost to the borrower for the entire application process, including any and all pre-approval costs such as credit score inquiries and appraisals, if the borrower does not close on the property. In that situation, the Lead Partner assumes all of the costs, and the borrower does not pay anything. If the loan closes, then all applicable fees and costs are paid by borrower as normal during closing.

- Agree that as Lead Partner, can provide the services as described above; or
- As Lead Partner, will charge the borrower the following fees if the loan closes: _____; and
As Lead Partner, will charge the borrower the following fees if the loan does not close:

3.2.11. Program Marketing

The Lead Partner must manage all marketing, including the preparation of all materials such as website, handouts, and for workshops. This includes any community outreach. The ability to provide marketing in languages other than English is highly desired but not a requirement. If desired, please provide a marketing plan.

- Agree that as Lead Partner, can provide the services as described above; or
- As Lead Partner, can provide the following marketing services: _____

3.2.12. Realtors

The Lead Partner must establish and manage relationships with realtors, as well as be the primary contact with realtors during the underwriting, loan documentation, and closing process.

- Agree that as Lead Partner, can provide the services as described above; or
 - As Lead Partner, can provide the following services: _____
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3.2.13. Buyer Education

The Lead Partner must manage and be the primary contact for all public questions and inquiries, including all phone calls, emails, and walk-ins. Lead Partner must offer and operate general workshops about the home-buying process. HEART currently does not require borrowers to complete a homebuyer education program but is amenable to instituting this requirement provided Lead Partner can manage it.

- Agree that as Lead Partner, can provide the services as described above; or
 - As Lead Partner, can provide the following buyer education services: _____
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3.2.14. Workshops

The Lead Partner must operate all workshops, including any necessary marketing and organizing. The workshops are meant to educate potential borrowers about the program, including criteria and process. The workshops can be separated into ones for general home-buyer education and those specifically for the Opening Doors Homebuyer Assistance Program. HEART reserves the right to be one of the presenters. The ability to provide workshops in languages other than English is highly desired but not a requirement.

- Agree that as Lead Partner, can provide the services as described above; or
 - As Lead Partner, can provide the following workshop services: _____
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3.2.15. Non-Qualifying Borrowers

The Lead Partner must offer alternative products or programs to homebuyers who do not qualify for this program.

- As Lead Partner, can provide the following the services to non-qualifying borrowers: _____
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3.2.16. Exclusivity

At HEART's discretion, the program may operate with other partners.

- Please check as confirmation of your understanding and agreement with this**

3.2.17. HEART’s Closing Fees

HEART reserves the right to charge closing fees in order to cover operational costs even if Lead Partner manages the entire closing process.

- Please check as confirmation of your understanding and agreement with this

3.2.18. HEART Holding the 2nd Loan

HEART reserves the right to hold some of the second loans.

- Please check as confirmation of your understanding and agreement with this

3.2.19. Roll-Out and Loan Closing Timeline

Please provide an estimated timeline needed for Lead Partner to roll-out this program upon agreement. Please also include estimated times for each aspect of the program. Also include how quickly Lead Partner can process and close the loans. Because sellers see HEART loans as part of the buyers down payment, the ability to close loans expeditiously is critical. Please provide information on how fast loans will close upon the acceptance of the offer, assuming there are no delays beyond the organization’s control.

4. BORROWER AND PROPERTY QUALIFICATIONS

Opening Doors Homebuyer Assistance loans must serve borrowers who meet the following qualifications:

- a) live in or work in San Mateo County;
- b) are buying a property that is located in San Mateo County;
- c) have household income no greater than a maximum of \$170,000;
- d) are first-time or move-closer buyers (first-time buyer means having not owned a residence property within the last three (3) years).

5. SUBMITTAL REQUIREMENTS

Proposals shall provide a clear and concise response to the RFP and must include the following items:

Product / Program Description

- A description of the proposed product / program that includes answers to all of the criteria listed in section 3.
- Optional: A management and marketing plan describing the marketing and administration of the proposed product/program.

Qualifications

- Documentation of the financial capacity to secure necessary private market financing to meet program requirements.
- Statement of qualifications including roster of team members, financial and/or program partners, identifying specific personnel by task with a statement of their experience.
- Descriptions of similar projects developed and programs operated by the team, or members of the team, including responsibilities of members.

Materials

- Two (2) copies of printed material, submitted loose-leaf (may be inserted in a ring binder or other openable binding system), not to exceed 10 sheets.
- In addition, an electronic copy submitted via email attachment, in MS/Word (.doc) and/or MS/Excel (.xls) and/or Adobe Acrobat (.pdf). Submittal of any collateral material not readily available in electronic format (e.g., brochures or product sheets) is optional.

6. GENERAL NOTICE

Respondents are hereby given notice that, because HEART is a public joint powers authority, all submittals shall become part of the public record. Therefore, it is anticipated that each respondent's proposal will include sufficient detail to support the selection process, but that some proprietary particulars will not be disclosed. Program details will be disclosed, negotiated and refined once a selected lender has entered into an Exclusive Negotiation Right Agreement with HEART.

7. LEAD PARTNER SELECTION PROCEDURE

A Lead Partner is being sought who has experience in low- or middle-income first-time homebuyer mortgage product/program design, development, and management. Staff from HEART will evaluate and assess the qualifications, experience, and ability of the respondents to perform the work in a timely manner. The criteria to be used in evaluating the proposals are as follows:

- 8.1. Content** - The thoroughness of the proposal demonstrating the lender's knowledge of products and programs comparable to and/or relevant to the Opening Doors Homebuyer Assistance Program.
- 8.2. Financial Capability** - The lender's demonstrated ability to capitalize the program and to secure any necessary approvals for the proposed product from one or more secondary mortgage finance institutions (e.g., CalHFA, Fannie Mae, Freddie Mac).
- 8.3. Experience** - The lender's experience in designing and developing the type of product and program, particularly in the context of cooperative relationship with existing public-sector homebuyer assistance programs and below-market-rate home purchase programs.
- 8.4. Key Staff** - the qualifications of personnel who will be working on and coordinating the project from design through marketing, underwriting and transaction coordination. The team shall provide written guarantees or assurances that the proposed personnel will in fact be assigned to the project.

8. EXCLUSIVE RIGHT TO NEGOTIATE

HEART reserves the right to accept, reject or negotiate any or all proposals received in response to this request. The agency will then select a lender or lenders to enter into negotiations with a goal of executing a Memorandum of Understanding or Operating Agreement. During the process of negotiations, respondents may be asked to submit revisions to any part of the proposal. Execution of any agreement is dependent on approval of the Board of Directors of the Housing Endowment and Regional Trust of San Mateo County.

9. SCHEDULE

Proposals are due by **Friday, June 7th 2019**, with an agreement in place anticipated within 1-2 months. The selection process will include interviews, reviews by the HEART Program Committee, and a selection by the Board.

10. ADDRESS

Please provide **one paper original and two (2) copies** of the completed proposal, with length not to exceed ten (10) pages **by 3:30 p.m. on Friday, June 7th 2019**, addressed to:

HEART
Attn: Boris Vatin
2905 S. El Camino Real
San Mateo, CA 94403

Please also provide **one electronic copy** emailed to bvatin@heartofsmc.org. **Please note that an electronic copy alone does not constitute a formal proposal.**

Please direct any questions regarding this RFP to Boris Vatin, at 650-204-5639, or e-mail to bvatin@heartofsmc.org.