



GOVERNMENT OF PUERTO RICO  
PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY



GOVERNMENT OF PUERTO RICO  
PUERTO RICO HOUSING FINANCE AUTHORITY

## **REQUEST FOR PROPOSALS**

### **To Provide Investment Banking Services in Connection with a New Single-Family Mortgage Revenue Bond Program**

**Issue Date: September 6, 2024**

**Documents will only be received electronically. Refer to Section X herein for instructions.  
Hand delivery and postal mailed documents will not be accepted.**

#### **Response Deadline:**

Responses to be received at the email addresses in Section X herein at or prior to  
3:00 p.m. (Atlantic Standard Time) on September 26, 2024

**No telephone queries will be accepted.**

**REQUEST FOR PROPOSALS  
TO PROVIDE INVESTMENT BANKING SERVICES**

**PUERTO RICO HOUSING FINANCE AUTHORITY  
SINGLE-FAMILY MORTGAGE REVENUE BOND PROGRAM**

**RESPONSE DEADLINE:**

3:00 p.m. (Atlantic Standard Time) on September 26, 2024  
by email to the addresses described in Section X below

**I. INTRODUCTION**

The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF” for its Spanish acronym) is an independent public corporation and governmental instrumentality with separate legal existence, fiscal and administrative autonomy, and independence from the Government of Puerto Rico. AAFAF was created for the purpose of acting as fiscal agent, financial advisor, and reporting agent of the Government of Puerto Rico, its agencies, instrumentalities, subdivisions, public corporations and/or municipalities (hereinafter collectively referred to as the “Government”).

AAFAF, on behalf of the Puerto Rico Housing Finance Authority (“PRHFA” or the “Issuer”) is seeking proposals for investment banking services in connection with a new single-family mortgage revenue bond program (the “Program”). Neither AAFAF nor PRHFA are responsible for the preparer’s costs of preparing and submitting proposals. There can be no guarantee that the Program will proceed.

As proposed, the Program will originate mortgages throughout Puerto Rico. It builds on the lender network and success of PRHFA’s Homebuyer Assistance Program, which has provided down payment grants to more than 10,000 first-time homebuyers on the Island. This new bond program is expected to draw on significant amounts of private activity volume cap both in 2024 and subsequent years.

The purpose of the Program is to provide tax-exempt bond-funded first mortgages, together with 4 points of down payment assistance (“DPA”) in the form of 0% deferred payment second mortgages, for IRS-eligible borrowers.

The intent is to set up a new tax-exempt loan pipeline in conjunction with the issuance of the first series of bonds. The first series would be conservatively sized (approximately \$25 to \$30 million), and subsequent series would be issued based on the volume of the pipeline. In terms of private activity bond volume cap, it is anticipated that annual issuance could be \$100+ million. Bonds would be fixed-rate and all tax-exempt.

**II. KEY GOALS**

Goals for the Program include the following:

1. Provide a competitive, easy-to-use, ongoing first-time homebuyer program.
2. Provide approximately 4 points of DPA as 0% deferred-payment loans due on the earlier of sale or refinancing of the first mortgage.

**THE ISSUER AND AAFAF RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.**

3. Utilize government-insured loans packaged into GNMA mortgage-backed securities (and potentially in subsequent issues, utilize conventional loans packaged into Fannie Mae and/or Freddie Mac mortgage-backed securities).
4. Develop and maintain key lender relationships to help maximize loan originations and Program continuity.
5. Utilize a third-party master servicer and a program administrator/compliance agent.
6. Create a program and program marketing which will stimulate originations.
7. Minimize negative arbitrage and issuer contribution.
8. Minimize non-origination risk.
9. Generate a moderate level of on-going program income (assuming annual issuer fees of approximately 0.2%) and utilize repayments of second mortgages to fund additional DPA loans.
10. Maintain an MBS-backed program that is simple for the issuer to administer.

### III. THE ISSUER

The bonds will be issued by PRHFA subject to approval by AAFAF and the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board").

### IV. FINANCE TEAM

The municipal advisor and cash flow services provider for the Issuer is CSG Advisors (Adam Cray, David Jones, and Gene Slater). The municipal advisor for AAFAF is Ankura Consulting Group, LLC.

The bond counsel to be utilized will be a national firm with expertise with single-family mortgage revenue bonds. Bond counsel is also likely to serve as disclosure counsel. Underwriters' counsel would be subject to approval by the Issuer and should have significant experience with single-family bond issues.

### V. UNDERWRITER SELECTION OBJECTIVES

AAFAF and PRHFA expect to select a team, with one firm initially serving as senior managing underwriter and one to two co-managers. Once a firm is selected under this RFP, PRHFA and AAFAF reserve the right to terminate the relationship with that firm at any time in their sole discretion.

The respondent's ability and history of success in working with similar issuers to establish new single-family bond programs and pipelines, and work collaboratively with master servicer and lenders, is a key qualification.

If your firm would like to respond, please follow the proposal format below and email the proposal **no later 3:00 p.m. (Atlantic Standard Time) on September 26, 2024.**

**THE ISSUER AND AAFAF RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.**

## VI. UNDERWRITER ROLES, RESPONSIBILITIES, AND COMPENSATION

A. **Senior Manager.** The Senior Manager will be primarily responsible for the following scope of services relating to the issuance of bonds:

1. Assist in the development of the overall bond financing strategy, including the sizing and timing of each bond issue.
2. Provide recommendations regarding the structure of each issue of bonds to best achieve the Issuer's objectives for that transaction. This will include ideas regarding the marketing of taxable bonds, ideas for economic refunding issues, planned amortization class bonds, super-sinker maturities, pass-through structures, and other concepts that will enable PRHFA to maximize the funds available for loans to homebuyers at the lowest reasonable mortgage rates.
3. Review and comment on the bond documents, disclosure documents, program agreements, and other documents relating to the initial transaction and each additional transaction. This will include timely review by the Senior Manager of the master indenture and each supplemental indenture, the official statement or other disclosure documents, and the closing documents for each series of bonds issued.
4. Coordinate with underwriter's counsel in arranging for printing and mailing of disclosure documents and related materials.
5. Assist in obtaining the rating for each bond transaction and any bond insurance commitment or other form of credit enhancement desired to secure the bonds.
6. Work with PRHFA and its financial advisor (CSG Advisors) to develop the underwriting, distribution, and marketing strategy for each issue of bonds and arrange for the preparation of (a) an Agreement Among Underwriters ("AAU") containing appropriate order priorities, syndicate rules, and restrictions to implement that strategy and (b) a Selling Group Agreement, as appropriate, detailing the rules and priorities applicable for the members of the Selling Group, if any.
7. When serving as book-runner, manage the syndicate in such a way as to adhere to the constraints imposed by the AAU and to ensure a fair and equitable allocation of bonds among the managing underwriters and Selling Group, as applicable.
8. As requested, assist PRHFA and its financial advisor in the development and implementation of the bond proceeds reinvestment strategy.
9. Provide a comprehensive and detailed analysis of distribution to document the level of participation and performance of each member of the underwriting team in selling and distributing PRHFA's bonds.
10. Underwrite maturities of bonds, individually or as members of the syndicate, as appropriate, to effectuate the successful distribution of PRHFA's bonds at the lowest possible interest rate.

**THE ISSUER AND AAFAP RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAP UPON SUBMISSION.**

- B. Co-Managers.** Co-Managers will be primarily responsible for the following scope of services relating to the issuance of bonds:
1. Work with the book-running Senior Manager by providing recommendations regarding the pricing, marketing, and distribution strategy.
  2. Review and comment on the draft AAU prepared and distributed by the book running Senior Manager.
  3. Utilize the firm's institutional and retail sales capabilities to aggressively market bonds in support of the pricing and distribution strategy.
- C. Compensation.** Compensation of all firms, including Senior Manager, Co-Managers, and selling group members, will be determined by the fee arrangements negotiated with the Senior Manager. The Issuer will direct the order priorities, member liabilities, and designation rules for priority orders to be included in the AAU and in the Selling Group Agreement. The Issuer reserves the right, in its sole discretion, to change the order priorities, member liabilities, and designation rules for priority orders at any time during the term of the engagement contemplated by this RFP.
- D. Changes.** PRHFA and AAFAP reserve the right, at their sole discretion, to end the term of service or change the status and role for any firm selected pursuant to this RFP, at any time prior to the expiration of the stated term of service and to add one or more firms not initially selected pursuant to this RFP to its underwriting team at any time during the stated term of service. This right to add or remove one or more firms is a unilateral right in the sole discretion of PRHFA and AAFAP and may be undertaken at any time with or without cause. Selection of firms to be added at such time may be made from among respondents to this RFP or pursuant to such other selection process as PRHFA and AAFAP may determine.

## VII. STRUCTURE AND CONTENT OF PROPOSAL

The proposal should contain the following (subject to the page limits described):

**A. Title Page** (1 page)

Include a title page identifying: (1) this request; (2) the firm name; (3) the name, title, address, telephone number, and e-mail address of the contact person for the proposal; and (4) the date of the proposal.

**B. Proposed Program Structure and Plan of Finance** (no more than 6 pages excluding exhibit for sources and uses/assumptions). In this section, your response should include the following:

**1. Program and Bond Description**

- a. Describe the Program your firm would propose given the key goals outlined in Section II above. Include a description of any additional special features you would recommend. This section should also detail assumptions for the following factors for an initial \$25 million long-term issue:

**THE ISSUER AND AAFAP RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAP UPON SUBMISSION.**

- Bond structure
- Expected bond yield and loan rate
- Reinvestment rate
- Borrower assistance points
- Lender compensation
- Issuer fee
- Trustee fee
- Issuer contribution
- If proposing any related short-term issue, its costs and benefits
- How to address Targeted Area requirements most efficiently

Use bond market rates as of September 6, 2024.

- Indicate both the benefits and drawbacks of your approach.
- Provide a summary of proposed sources and uses (both at bond closing and loan closing).
- Indicate where you have structured such a program within the past 3 years, described the status and results, and provide issuer references.
- Indicate the role you would or could play in developing and implementing the Program, including working with the Master Servicer as loans are pooled into MBS for purchase by bond proceeds, all assuming limited Issuer staff time.

## **2. Marketing Plan**

Your proposal should state how your firm will help market the Program. Marketing could include all aspects of promoting the Program as well as developing and maintaining relationships with the lender community. Describe where you have employed the proposed approach elsewhere.

What efforts would your firm undertake if originations fall short of expectations?

## **3. Lender Recruitment and Master Servicer**

Key to the success of this tax-exempt program will be an effective Master Servicer and committed originating lender group. Describe what steps your firm would take to assist the Issuer in this regard and to maximize lender production for the Program.

## **4. Special Program Features**

Provide a discussion on any suggestions for special program features to reach low-income homebuyers (i.e., households with incomes at or below 80% of area median income). Include a description of any special features included in the programs your firm participated in, such as down payment and/or closing cost assistance, approach to Targeted Areas, etc.

**THE ISSUER AND AAFAP RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAP UPON SUBMISSION.**

**5. Risks and Feasibility**

Your proposal should address:

- a. Risks posed to the issuer and how, to what extent, and at what cost they would be mitigated
- b. Where your proposed approach has been implemented elsewhere
- c. Changes in market or other conditions under which you would not recommend this approach

**6. Conflicts of Interest**

To allow AAFAF and the Issuer to assess potential conflicts of interest, identify any existing or potential conflict of interest, or any relationships that might be considered a conflict of interest, that may affect or involve transaction(s) for the Oversight Board, AAFAF, or PRHFA, including but not limited to conflicts with financial advisors or law firms providing services to the Oversight Board, AAFAF or PRHFA. Include description of any work you have performed for the Government, any of its entities or instrumentalities or any creditors thereof or any guarantors of indebtedness in relation to their activities with PRHFA or AAFAF. Indicate whether this activity is ongoing, and if not, when the prior assignment was concluded.

***Please feel free to suggest any alternative approaches for PRHFA which serve its Key Goals. Responses to this request will be judged by the extent to which they meet such goals. Please note that excess pages and extraneous materials may detract from the overall evaluation of the proposal.***

**C. General Qualifications (no more than 5 pages excluding attachments for list of issues and resumes)**

**1. Transactions**

Provide the following annual summary data with respect to single-family housing bond transactions (both tax-exempt and taxable) for which your firm served as book running senior manager, co-senior manager, or co-manager, for each of the periods in the table below.

Year	Bookrunner		Co-Senior Manager		Co-Manager	
	# Issues	\$ Amount	# Issues	\$ Amount	# Issues	\$ Amount
2024 (Q1-2)						
2023						
2022						
2021						

Attach a list of the above financings for which your firm served as either book running senior manager or co-senior manager. Provide these in reverse chronological order, indicating the date issued, amount issued, whether new money or refunding, any unique program feature, and lead individual banker.

**THE ISSUER AND AAFAF RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.**

## 2. Clients

List the single-family housing finance issuers for which your firm currently serves as book running senior manager, co-senior manager, co-manager, or selling group member for single-family housing bonds, indicating the firm's role and the lead individual banker. Identify any single-family issuer for which your firm:

- Was added to the underwriting team or for which the firm's role was elevated since January 1, 2020
- Served as a member of the underwriting team on or after January 1, 2020, but for which your firm is not currently serving in that capacity or is serving in a lesser capacity (explain the basis for the change)

## 3. References

Provide at least three public agency references from the transactions listed in Section VII.C.1 above, including, if possible, issuers with modest-size staff. Your response should include the name of the agency and the name, title, phone number, and email address of the contact person.

## 4. Assigned Individuals

Provide names of individuals who would be assigned to the Program, their resumes, and a description of their background and expertise in single-family mortgage finance (particularly for newer issuers). Describe each individual's proposed role and the approximate percentage of total work to be provided by each individual.

## 5. Housing Professionals

Indicate the total number of professionals at your firm who are dedicated to banking for HFAs, including their names and titles. Describe any changes, including additions and departures, in your housing group staff in the past two years and the impact on serving clients. In addition, describe plans for any anticipated changes, such as retirements, in your housing group staff.

## 6. Master Servicers and Program Administrators

Describe your approach and recent experience in selecting and working with master servicers and program administrator/compliance agents.

## 7. Bond Marketing

Describe your bond marketing approach. Describe the regional and national sales and distribution capabilities of your firm as to both retail sales and institutional sales. Discuss the proposed role of your firm in implementing a pricing and marketing strategy to take maximum advantage of retail demand for the Issuer's bonds. Describe any other sales and distribution capabilities of the firm that will enhance the distribution of PRHFA's bonds.



## 8. Special Strengths or Capabilities

Briefly describe any special strengths or capabilities of your firm (which may include special expertise with establishing new programs, the firm's status as a minority-, woman-, or veteran-owned firm, the presence of offices or employees in Puerto Rico, or any other special services or assistance your firm may provide to the Issuer) that you believe may be relevant to or helpful to PRHFA in structuring, financing, or administering the Program.

## 9. Underwriter's Counsel

Identify the law firm(s), including the names and resumes of the principal attorneys, you would propose to serve as Underwriter's Counsel.

### D. Underwriting Compensation (1-2 pages)

Provide a schedule of fees for serving as book running senior manager for three (3) separate publicly sold single-family bond issues, assuming an initial stand-alone series of approximately \$25 million, an additional series of \$30 million, and an additional series of \$40 million.

Itemize all fees and charges, including estimated takedown, management fee, and expenses (including underwriter's counsel).

## VIII. EVALUATION PROCESS

Proposals will be evaluated by AAFAF, PRHFA, and their financial advisors.

Key factors in their evaluation will include:

- Single-family experience of the banker(s) who will primarily be responsible for the transaction, especially including relevant experience since January 1, 2020
- Commitment and successful track record in helping establish or revise single-family lending programs, including hands-on involvement with lender recruitment and program marketing, and with master servicer relations
- Success with the described approach
- Fees

If interviews are needed, they would be scheduled the week of September 30th by video conference.

AAFAF and the Issuer reserve the right to amend, modify, or cancel this RFP in whole or in part, at any time, with or without substitution of another RFP if such cancellation is determined to be in the best interest of the Issuer and/or AAFAF. All costs and expenses incurred by the respondents in the preparation and delivery of a proposal will be the sole responsibility of the respondents. The Issuer and AAFAF will not be liable for any amounts to any respondent in any manner, under any circumstances, including without limitation, as a result of a cancellation of the RFP process. The respondents cannot make any claims whatsoever for reimbursement by the Issuer for the costs and expenses associated with the process.

**THE ISSUER AND AAFAF RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.**

**IX. QUESTIONS**

Questions about this RFP may be directed to the Issuer’s municipal advisor, CSG Advisors, by no later than September 23, 2024, at the email addresses listed in Section X below.

**X. PROPOSAL SUBMISSION**

**Proposals are due no later 3:00 p.m. (Atlantic Standard Time) on September 26, 2024.** Proposals must be emailed to the following contacts:

<b>Entity</b>	<b>Contact Name</b>	<b>Contact Email Address</b>
AAFAF		rfp-hfa@aafaf.pr.gov
CSG Advisors	Adam Cray	acray@csgadvisors.com
	David Jones	djones@csgadvisors.com
	Gene Slater	gslater@csgadvisors.com

*Thank you for reviewing this RFP. We look forward to your response!*

**THE ISSUER AND AAFAF RESERVE THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO FURTHER NEGOTIATE ANY PROPOSAL, AND TO WAIVE ANY IRREGULARITIES OR NON-COMPLIANCE WITH THE INSTRUCTIONS SET FORTH HEREIN, IN THEIR SOLE DISCRETION. ALL PROPOSALS BECOME PROPERTY OF THE ISSUER AND AAFAF UPON SUBMISSION.**