



Seattle
Office of Housing

Request for Proposals

Program Administration
Foreclosure Prevention Loan Pilot Program

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<http://www.seattle.gov/housing/homeowners/foreclosure-prevention>

Responses Due: August 31, 2017 at 5:00 PM

Responses are to be submitted to:

Via email to Erika Malone,
Senior Homeownership Specialist
erika.malone@seattle.gov

Questions?

Contact Erika Malone
206-684-0247
erika.malone@seattle.gov

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I. Proposal Request

The City of Seattle Office of Housing is seeking proposals from qualified organizations to administer the pilot phase of a Foreclosure Prevention Loan Program (the Pilot Program). The two-year budget for the Pilot Program is \$484,000. This figure reflects an estimated 20 loans at an average of \$22,000 each and a 10% administrative fee.

Threshold qualification criteria include (1) a minimum of 2 years of loan origination and servicing experience and (2) a minimum of 2 years of experience providing housing counseling services or a well-established referral relationship with Seattle area housing counseling agencies.

We seek applicants with a strong track record of providing residential lending services, underwriting loans to distressed homeowners, working successfully with Seattle housing counseling agencies, and providing exemplary service to the community. The successful applicant will demonstrate experience and capacity in the following areas:

- Successfully reaching underserved populations
- Proficiency in record keeping and reporting
- Strong customer service, including working with diverse customers
- Strong portfolio management
- Strong knowledge and application of fair lending laws and regulations

The selected administrator will be responsible for compliance with all applicable laws, regulations, codes, contracts, and funding requirements.

II. Background

On August 2, 2016 Seattle voters overwhelmingly approved the \$290 million 2016 Housing Levy put before them by Seattle City Council. The 2016 Housing Levy included \$9.5 million for homeownership. In past levies, homeownership dollars were almost entirely focused on supporting new first-time homebuyers. In the 2016 Housing levy, two new eligible uses were added to support existing low-income homeowners: the foreclosure prevention loan program and home repair grant assistance. The 2016 Housing Levy Administrative and Financial Plan and Housing Funding Policies calls for OH to release an RFP to select an administrator of a foreclosure prevention pilot program.

A needs assessment, requested by City Council, was conducted in the fall of 2016. The needs assessment involved stakeholder outreach among non-profit organizations that serve distressed homeowners. It was found that while the foreclosure rate had decreased significantly in the years since the great recession, there is still a measurable need for foreclosure rescue services. If the current, relatively, low foreclosure rates continue over the

term of the levy, an estimated 4,000-5,000 Seattle households could lose their homes to foreclosure. Given that 20% of all homeowners in Seattle have incomes at or below 80% of the area median, it is reasonable to assume that 800-1,000 low-income households could be forced to leave Seattle in search of more affordable housing due to foreclosure. Many of these households are likely to be households of color.

III. Program Description and Objectives

The Pilot Program allows the provision of loans of up to \$30,000 to help a low-income homeowner avoid foreclosure. Loan funds can be used for housing-related costs that are necessary to avert foreclosure, and may include costs required to obtain a mortgage modification, delinquent mortgage payments, overdue property taxes, delinquent homeowner association dues, and interest and fees associated with late payments on the above. The Pilot Program is governed by the policies set forth in the 2016 Housing Levy Administrative and Financial Plan and Housing Funding Policies (found [here](#)).

Program objectives include:

- By providing one-time, limited intervention decreasing the number of foreclosures in Seattle and the subsequent displacement of low-income homeowners from Seattle, which disproportionately impact homeowners of color.
- Assisting low-income homeowners to remain successfully in their homes and communities.
- Creating effective partnerships with housing counselors, City departments, King County, non-profit organizations and other community groups in order to identify at-risk homeowners early in the foreclosure process and deliver information on available resources in a way that resonates with the homeowner and motivates the homeowner to take advantage of such resources.

IV. Administrator Role

The selected administrator shall be responsible for all activities associated with implementing the loan fund, including:

A. Underwriting

The administrator shall be responsible for underwriting all foreclosure prevention loan applications per the policies described below.

- a. *Homeowner Eligibility:* Homeowners with household incomes at or below 80% of Area Median Income (AMI) who own and occupy their homes within the City of Seattle may be eligible for assistance. Homeowners must have experienced an

identifiable hardship, such as job loss or medical crisis, that has resulted in delinquent housing payments. Homeowners must be working with and referred by an OH-approved homeownership counseling agency, and must fully explore alternatives, including workout options, prior to or in conjunction with applying for the foreclosure prevention loan. Homeowners may receive a loan only if they have a demonstrated ability to afford housing payments after receiving assistance and becoming current. Homeowner may retain \$5,000 in assets post-intervention.

- b. *Eligible Uses:* Funds can be used for housing-related costs that are necessary to avert foreclosure. Such costs may include costs required to obtain a mortgage modification, delinquent mortgage payments, overdue property taxes, delinquent homeowner association dues, and interest and fees associated with late payments on the above.
- c. *Loan Terms:* Loan amounts will not exceed an amount that the borrower needs to avoid foreclosure. Additional underwriting criteria such as loan to value ratio which will be established by OH will apply. The maximum loan amount will be \$30,000. The minimum loan amount will be \$2,000. Borrowers must demonstrate the ability to afford their housing payments after receiving assistance based on a household budget and a ratio analysis conducted by the underwriter.

Interest rates can range between 0% and 3%. If the household budget can accommodate additional debt, loan will typically be amortized. Deferred loans may be an option. Applicants are encouraged to describe in detail their approach to determining interest rates and repayment schedules.

B. Servicing

The administrator shall be responsible for servicing all loans. All loan documents shall be between the administrator and the homeowner. At the end of the 24-month pilot period, OH will assess whether repaid funds may be revolved as additional loans or should be repaid to OH. Any interest earned on loans made will be subject to repayment to OH.

Loan documents shall be subject to OH approval prior to the closing of the first loan to ensure City interests are protected.

C. Marketing

The successful applicant will, in partnership with OH, market the program to agency partners and potential clients. At least three creative marketing strategies intended to reach at-risk homeowners early in the foreclosure process must be proposed in the RFP. In addition, OH will share responsibility for pursuing effective outreach partnerships with other City departments, King County Treasury Services, and the King County Assessor's Office to reach and serve eligible, distressed homeowners.

D. Record Keeping and Reporting

The following data will be collected and reported quarterly to OH by the program administrator. Other data requests may be added depending on need. At the end of the two-year pilot period, this data will be used to evaluate the program's impact and if there is a continued need for the program:

- a. Number of households assisted
- b. Number of and demographic information for applicants failing to qualify for assistance, and why
- c. Case history: referral source, point in the foreclosure process at which applicant accessed the Pilot Program, other remedies or interventions sought/accessed in addition to the Pilot Program
- d. Demographic data on each household receiving assistance (income level, age, household size, race, etc.)
- e. Dollar level of assistance
- f. Loan to value ratios by household
- g. Structure of assistance (interest-bearing, amortized, term of loan, etc.)
- h. Outcomes by borrower at 6 months, 12 months, 18 months, 24 months
- i. Borrower repayments and fund balance (if applicable)

V. Pilot Period Evaluation

The Pilot Program will operate for at least a 24-month pilot period. The pilot period will begin the day that the contract with the administrator is executed OH will evaluate the efficacy of the program near the end of the pilot period, using the data listed above in Section IV.4 along with feedback from the program administrator and other program partners. OH will also assess whether unspent funds and repaid loan funds should be repaid to OH and if future loan repayments should be repaid to OH.

OH anticipates that a successful program will include:

- No fewer than an average of 7 homeowners served per year,
- Homeowners of color are served at least proportional to the percentage of Seattle homeowners of color relative to all Seattle homeowners, and ideally at higher rate,
- At least 90% of borrowers still own and occupy their home at the end of the 24-month pilot or have repaid the Foreclosure Prevention loan.

OH recognizes that this is a pilot program, and that success may ultimately look different from what is anticipated at the beginning.

VI. Proposal Evaluation Criteria (100 points possible)

1. *Capacity:* (35 points) The successful applicant will clearly demonstrate the organizational, staff and financial capacity to administer all the Pilot Program activities and responsibilities described in this RFP.
2. *Experience:* (30 points) The successful proposal will be submitted by an organization that clearly demonstrates the organizational and staff experience in the administration of loans to low-income households. This includes originating and underwriting loans for low-income borrowers, managing a loan portfolio, and either conducting homeownership counseling in-house and/or having strong working partnership with other housing counseling agencies. A successful applicant will show demonstrated success in reaching traditionally underserved populations, including people of diverse ethnic and cultural background and people with disabilities.
3. *Record Keeping and Reporting Systems:* (20 points) The successful applicant will demonstrate excellent record keeping protocols and demonstrate the ability to respond in a timely manner to requests for the kinds of data described in Section IV(D).
4. *Program Approach:* (15 points) The successful proposal will include a thorough description of feasible work flow process, outreach partnerships, underwriting criteria, decision-making framework for establishing loan terms, and plan for ongoing borrower engagement throughout the period of the loan. Proposed costs to administer, originate and service loans will be contemplated and weighed as part of the program approach. (See section VII.)

VII. Administrative Fee Structure

The program administrator may charge an administrative fee or a combination of fees (origination fee, servicing fee, flat administration fee). OH will negotiate a reasonable fee structure and payment schedule with the selected program administrator, which will be included in the contract for services.

Additionally, a counseling fee, paid for out of loan proceeds, may be paid to a third-party counseling agency, subject to approval by OH.

VIII. Proposal Submissions

Proposals should contain the following components:

1. Introduction: Cover letter describing organizational interest and contact information. General organizational information should include incorporation date, state and IRS tax status, mission, vision, strategic plan highlights (as they may relate to the proposed project), program areas and client demographics. Please provide names and brief bios of senior management and board members.
2. Program Approach: Describe the proposed program approach. Please include a description of how you will partner with housing counseling and other agencies to reach distressed homeowners. Please describe your workflow process from borrower identification and application through origination and underwriting, including your approach to declining applicants. Please describe your approach to servicing and determining interest rates and amortization schedules for a range of borrowers. Please also include your proposed fee structure and preferred payment schedule.
3. Organizational Experience and Capacity: Please provide detail regarding the organization's lending, loan origination and/or loan servicing experience, including number and types of loans originated, size of current portfolio and loss rate. Please also describe your current working relationships with housing counseling agencies. Provide a copy of the most recent 3 years of audited annual financial statements.
4. Staff Experience and Capacity: Identify and describe your lending team. In separate paragraphs, identify each person or company involved with the program and their respective roles. Include information about each team member's experience and qualifications. Additionally, include the resume of key team members.
5. Affirmative Marketing: Describe your organizational experience with and capacity for affirmative marketing, customer service, fair lending. Describe how potential borrowers learn about or are referred to your current loan programs. Describe the three creative marketing strategies that will be employed to reach at-risk homeowners early in the foreclosure process, as referred to in section IV.C
6. Record Keeping and Reporting Systems: Please describe your record keeping and reporting system and process. Please include the technology you use, what data you track and are able to report on, and your workflow around data tracking and reporting. Please also provide an sample of a real report that you generate now that might include data similar to the data outlined in Section IV(D).

IX. Disclaimers and Disclosures

This RFP is not a commitment or contract of any kind. The Office of Housing reserves the right to pursue any and/or all ideas generated by this request. Costs for developing proposals are entirely the responsibility of the applicant and shall not be reimbursed. OH reserves the right to alter timelines, amend or retract the RFP, waive as informality any irregularities in submittals, and/or reject any and all submissions. OH reserves the right to waive any requirements of this RFP when it determines that waiving a requirement is in the best interest of OH.

All proposals and related materials become the property of the City upon delivery to OH. State law, RCW Ch. 42.17, provides that public records are subject to public inspection and copying unless specifically exempted. RCW Ch. 42.17 enumerates limited exemptions a public agency's obligation to disclose public records. If the applicant believes that portions of its proposal are exempt from disclosure to third parties, the applicant must clearly label the specific portions sought to be kept confidential and specify an exemption that the applicant is relying on. However, acceptance of a proposal containing such designations by OH is not an agreement that such material is legally confidential, and OH cannot guarantee that such information will not be disclosed.

The applicant recognizes and agrees that the City will not be responsible or liable in any way for any losses that the respondent may suffer from the disclosure of information or materials to third parties, nor for any use of information or materials by third parties.

X. Questions and Requests for Additional Information

Questions, clarifications, or requests for additional information regarding this RFP can be sent, via email to erika.malone@seattle.gov any time before 5:00 P.M. on August 15, 2017. A list of all the questions received by that date, along with the answers to those questions will be emailed to all firms that express an interest in such information by 5:00 P.M. August 24, 2017.

There will be an attempt to answer questions and distribute the answers to such questions received after the above date but it will not be guaranteed.

XI. Submission Details

Please submit via email a full and final proposal by **5:00 on August 31, 2017**.

Please email the proposal to Erika Malone, Senior Homeownership Specialist at erika.malone@seattle.gov

The subject line of the email should read "Full Proposal: Foreclosure Prevention Loan Program Pilot"

The document itself should be a PDF and be entitled "<applicant name> FPP Proposal"

Any proposals received after the **5:00 on August 31, 2017** deadline will not be accepted or considered.

XII. Proposal Review and Selection Process

OH will review proposals to ensure they are complete and responsive to the RFP. If proposals are submitted prior to the deadline but are found to be incomplete OH may request for the applicant to provide the missing information.

OH will form a review committee to assist in the selection process. There will be the opportunity for a pre-selection interview with each applicant during which time OH staff will ask clarifying questions about the program approach and the proposal as submitted. After the proposal review and the interview, the committee will provide recommendations to the OH Director. The Office of Housing will be responsible for selecting the proposal that best meets the objectives outlined in this RFP.