



## Request for Proposals Outsourcing the Quality Control Function

### INTRODUCTION

Through this Request for Proposals (“RFP”), Rhode Island Housing seeks proposals from qualified firms to provide post closing quality control audits, which meet FHA, VA, USDA and Fannie Mae quality control standards.

In FY 2013, Rhode Island Housing funded 471 home purchase loans for a total of \$68.1 Million. These are single family FHA, VA, USDA and conventional loans. Historically Rhode Island Housing has funded loans with the proceeds from the sale of tax-exempt Mortgage Revenue Bonds (MRB.) Due to the continuing instability in the MRB market, we anticipate the majority of loans funded in FY 2014 will be funded with Ginnie Mae MBS (Mortgage-Backed Securities) or sold to Fannie Mae. The anticipated volume for FY 2014 is projected to be 650 loans for a total of \$100 Million. Of these loans, approximately 40% are conventional and 60% are government loans (FHA, VA, and USDA). The sources of Rhode Island Housing’s originations come from 3 different channels: retail, wholesale and correspondent. It is therefore imperative that the firms responding to this request have the capability to perform the task as described herein per the quality control compliance requirements of Fannie Mae, FHA, VA and USDA.

Rhode Island Housing is currently in the process of expanding its internal quality control review for both pre-funding and post-closing quality control. This expansion will include both loan file review; as well as trending analysis and management reporting. The expansion of our program into a Ginnie Mae and Fannie Mae securitization program has caused Rhode Island Housing to re-evaluate our current quality control practices from a policy, procedural and staffing perspective. Therefore, Rhode Island Housing is considering outsourcing the post-closing quality control review function of its loan files. We anticipate the pre-funding Quality Control (QC) will be performed in-house by the current QC department.

### INSTRUCTIONS

Proposals should be submitted electronically to **Peter Walsh, Director of Homeownership and Customer Service** at **[pwalsh@rhodeislandhousing.org](mailto:pwalsh@rhodeislandhousing.org)**. Proposals should be concise and include all attachments and work samples. Proposals should be presented on business letterhead.

Proposals must be received no later than 5:00 p.m. EST on **January 3, 2014**.

Respondents are advised that all submissions (including those not selected for engagement) may be made available to the public on request upon completion of the process and award of a contract(s). Accordingly, any information included in the proposal that the respondent believes to be proprietary or confidential should be clearly identified as such.

## **SCOPE OF WORK**

Please see Attachment A.

## **ITEMS TO BE INCLUDED WITH YOUR PROPOSAL**

### A. General Firm Information

1. Provide a brief description of your firm, including but not limited to the following:
  - a. Name of the principal(s) of the firm.
  - b. Name, telephone number and email address of a representative of the firm authorized to discuss your proposal.
  - c. Address of all offices of the firm.
  - d. Number of employees of the firm.

### B. General Experience and Resources

1. Indicate which principals and associates from your firm would be involved in providing services to Rhode Island Housing. Provide appropriate background information for each such person and identify his or her responsibilities.
2. Provide a detailed list of references including a contact name and telephone number for organizations or businesses for whom you have performed similar work.
3. Identify any conflict of interest that may arise as a result of business activities or ventures by your firm and associates of your firm, employees, or subcontractors as a result of any individual's status as a member of the board of directors of any organization likely to interact with Rhode Island Housing.
4. Identify any material litigation, administrative proceedings or investigations in which your firm is currently involved. Identify any material litigation, administrative proceedings or investigations, to which your firm or any of its principals, partners, associates, subcontractors or support staff was a party, that has been settled within the past two (2) years.
5. Provide a copy of your E&O and Fidelity Bond Insurance rider.

### C. Specific Experience and Resources

The following specific quality control questions must be addressed by each respondent in their response:

1. Give a brief description of the experience your firm has performing the quality control review function, along with describing the number and type of mortgage lenders for which you perform this function.

2. Identify where the personnel performing this function reside (onshore or offshore). Give the physical locations of your offices where you intend to perform this function.
3. Outline the typical experience level of the staff performing the quality control review and provide resumes for staff expected to manage the process.
4. How are accounts managed? Does each client have their own point person? Describe the process for distribution of loans for review.
5. Describe the work flow process from file selection to the completion of the monthly loan file review and delivery of management reports.
6. What is the expected time frame from receipt of loan files to delivery of reports to Rhode Island Housing? Describe your current delivery timeframes for your largest five customers. Describe remedies for failure to meet stated projected timelines.
7. Provide samples of the loan level and summary type of management and trending reports, which will be supplied to Rhode Island Housing. Describe possible reporting formats and customization available.
8. Describe the process of setting standards for loan quality and methodology in calculating defect ratios to meet Fannie Mae requirements.
9. Give a detailed description of the type of quality control review which will be performed on each loan file. This should include the type of fraud detection tools, as well as compliance checks which will be completed on each loan file.
10. Based on evolving regulatory and GSE quality control requirements, describe the process of ensuring your systems are updated and enhanced to keep pace with this changing environment.
11. Do you comply with SSAE 16? Please include copies of regulatory body, internal and independent audit reports and responses, including the SSAE 16 report.
12. What protection is in place concerning data sharing and protection of the loan file information? Please supply a copy of your privacy policy and procedures.
13. Describe the normal time frame to implement this process, once contracts have been signed, including implementation steps and whether you have a standardized project plan for implementation.
14. Describe the types of files you require (imaged or hard copy files) and whether there are additional charges, as they relate to the type of file which is supplied.
15. Describe other QC services your organization offers.

D. Fee Structure

The cost of services is one of the factors that will be considered in awarding this contract. The information requested in this section is required to support the reasonableness of your fees.

1. Please provide a schedule of your required and discretionary costs.
2. Identify discount pricing available at certain volume levels.
3. Identify additional costs related to third party transactions/fees.
4. Identify additional costs for fraud detection tools and compliance software and indicate whether these costs are in the per loan file fee schedule.
5. Identify any pass through costs that may apply (postage and delivery) or if this is included in the total price.
6. What should Rhode Island Housing expect to be the total average cost loan file for the QC review?

E. Miscellaneous

1. Rhode Island Housing encourages the participation of persons of color, women, persons with disabilities and members of other federally and State-protected classes. Describe your firm's affirmative action program and activities. Include, if applicable, a copy of your Minority- or Women-Owned Business Enterprise state certification.
2. Discuss any topics not covered in this Request for Proposals that you would like to bring to Rhode Island Housing's attention.

F. Certifications

1. Rhode Island Housing insists upon full compliance with Chapter 27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors. This law requires State Vendors entering into contracts to provide services to an agency such as Rhode Island Housing, for the aggregate sum of \$5,000 or more, to file an affidavit with the State Board of Elections concerning reportable political contributions. The affidavit must state whether the State Vendor (and any related parties as defined in the law) has, within 24 months preceding the date of the contract, contributed an aggregate amount in excess of \$250 within a calendar year to any general officer, any candidate for general office, or any political party.
2. Does any Rhode Island "Major State Decision-maker," as defined below, or the spouse or dependent child of such person, hold (i) a ten percent or greater equity interest, or (ii) a Five Thousand Dollar or greater cash interest in this business?

For purposes of this question, “Major State Decision-maker” means:

(i) All general officers; and all executive or administrative head or heads of any state executive agency enumerated in § 42-6-1 as well as the executive or administrative head or heads of state quasi-public corporations, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;

(ii) All members of the General Assembly and the executive or administrative head or heads of a state legislative agency, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel or chief of staff;

(iii) All members of the state judiciary and all state magistrates and the executive or administrative head or heads of a state judicial agency, whether appointed or serving as an employee. The phrase “executive or administrative head or heads” shall include anyone serving in the positions of director, executive director, deputy director, assistant director, executive counsel, chief of staff or state court administrator.

If your answer is “Yes,” please identify the Major State Decision-maker, specify the nature of their ownership interest, and provide a copy of the annual financial disclosure required to be filed with the Rhode Island Ethics Commission pursuant to R.I.G.L. §§36-14-16, 17 and 18.

3. Please include a letter from your president, chairman or CEO certifying that (i) no member of your firm has made inquiries or contacts with respect to this Request for Proposals other than in an email or written communication to **Peter Walsh, Director of Homeownership and Customer Service, [pwalsh@rhodeislandhousing.org](mailto:pwalsh@rhodeislandhousing.org) or 44 Washington Street, Providence, RI 02903** seeking clarification on the Scope of Work set forth in this proposal, from the date of this RFP through the date of your proposal, (ii) no member of your firm will make any such inquiry or contact until after **January 3, 2014**, (iii) all information in your proposal is true and correct to the best of her/his knowledge, (iv) no member of your firm gave anything of monetary value or promise of future employment to a Rhode Island Housing employee or Commissioner, or a relative of the same, based on any understanding that such person’s action or judgment will be influenced and (v) your firm is in full compliance with Chapter 27 of Title 17 of the Rhode Island General Laws, Reporting of Political Contributions by State Vendors.

### **EVALUATION AND SELECTION**

A selection committee consisting of Rhode Island Housing employees (the “Committee”) will review all proposals and make a determination based on the following factors:

- Professional capacity to undertake the scope of work.
- Proposed fee structure
- Ability to perform within time and budget constraints
- Evaluation of reporting capabilities.
- Previous work experience and performance with Rhode Island Housing and/or similar organizations such as other state Housing Finance Agencies
- Recommendations by references
- Firm minority status and affirmative action program or activities
- Other pertinent information submitted.

Rhode Island Housing may invite one or more finalists to make presentations to the Committee.

In its sole discretion, Rhode Island Housing may negotiate with one or more firms who have submitted qualifications to submit more detailed proposals on specific projects as they arise.

By this Request for Proposals, Rhode Island Housing has not committed itself to undertake the work set forth. Rhode Island Housing reserves the right to reject any and all proposals, to rebid the original or amended scope of services and to enter into negotiations with one or more respondents. Rhode Island Housing reserves the right to make those decisions after receipt of responses. Rhode Island Housing's decision on these matters is final.

**For additional information contact: Peter Walsh at [pwalsh@rhodeislandhousing.org](mailto:pwalsh@rhodeislandhousing.org)**

Together with its partners, Rhode Island Housing works to ensure that all people who live and work in Rhode Island can afford a healthy, attractive home that meets their needs. Rhode Island Housing uses all of its resources to provide low-interest loans, grants, education and assistance to help Rhode Islanders find, rent, buy, build and keep a good home. Created by the General Assembly in 1973, Rhode Island Housing is a privately funded public purpose corporation.

## **Attachment A**

### **Scope of Work**

Rhode Island Housing seeks to engage a Quality Control Vendor to outsource the review of certain loan files and expand its current review process to incorporate a complete and comprehensive review of the entire loan file, which will meet FHA, VA, USDA and Fannie Mae requirements.

These tasks will include, but are not limited to:

1. Assist with the file selection process to incorporate a random file selection sample, as well as incorporate discretionary sampling which is specified in Rhode Island Housing's Quality Control program. For purposes of this document, Rhode Island Housing is estimating approximately 125 loans based upon a 10% sample requirement of our estimated yearly loan production of 650 plus new origination sources and product types. Rhode Island Housing also has a servicing portfolio; therefore in addition to the above mentioned loans a quality control review must also be performed on all early payment default loans.
2. Re-verification of all third party employment, income, credit and asset documentation. The re-verified information is to be analyzed to assure the integrity and reasonable accuracy of the documents used in the credit decision process.
3. Confirm all data integrity to ensure the DU/LP, GUS, and/or Total Scorecard findings and documentation support the credit decision.
4. An appraisal review is to be completed in accordance with Fannie Mae, FHA, VA and USDA guidelines.
5. A three-bureau credit report will be ordered to reconcile the liability information obtained from the original credit report. Credit report requirements will be based on current Agency requirements.
6. Loan file documentation is to be reviewed for accuracy and compliance, including state, federal, Agency and Fannie Mae regulations and legal documentation. Final figures should be recalculated, including APR, finance charges and closing costs.
7. Fraud and misrepresentation detection tools will be used to uncover potential fraud indicators when reviewing re-verifications, appraisals and other loan documentation.
8. Ensure all Rhode Island Housing and Lender underwriting conditions were met, prior to the closing of the loan file (or loan funding as appropriate).
9. Supply Rhode Island Housing management with trending reports and defect ratios which meet Fannie Mae requirements. These reports should summarize audit results, measured against Agency and Fannie Mae requirements and render a risk analysis rating on each loan file. The management reports should also provide a detailed analysis of Correspondent, Wholesale and Retail channels within the loan review. The findings should be presented in varied formats that

provide accurate information and trends with regard to Rhode Island Housing loan products, third party lenders, underwriters and the purchase review process.

10. In addition, all reports should be in compliance with Fannie Mae LQI requirements including Fannie Mae QC requirements which go into effect in January, 2014.