

Rhode Island Student Loan Authority
560 Jefferson Blvd.
Warwick, RI 02886

Term Financing and Underwriting Request for Proposal
October 7, 2014

The Authority

The Rhode Island Student Loan Authority ("RISLA or the Authority") is a public corporation of the State of Rhode Island and is a leading originator of state based non-federal education loans. RISLA also offers free college planning services through the College Planning Center of Rhode Island (CPCRI), hosts RIScholarships.org, a statewide database of hard-to-find local scholarships, and bRidge.jobs, a web-based tool that helps students find internships. RISLA has been making non-federal education loans for twenty two years and has an excellent track record with low defaults and delinquencies. Public offering statements are available at RISLA.com and rating reports may be obtained from S&P and Fitch.

The Authority is seeking proposals from banks and other financial institutions to provide RISLA with bond underwriting services as well as proposals for both a line of credit and term financing of non federal education loans. The Authority currently has outstanding \$698.5 million in bond debt, but has no other outstanding bank debt. The Authority plans to issue additional tax exempt and taxable debt as described below. The Authority wants to engage one or more qualified underwriting firm(s) for the potential sale of Variable Rate Demand Notes (VRDN), fixed rate bonds, floating rate notes or other financial instruments issued by the Authority.

Objectives of Term Financing Facility

RISLA is asking for firm commitments for fixed-rate financing. When RISLA's spread is added to these rates, the new student loan rate will be used to encourage borrowers to refinance/consolidate their existing eligible education loans over either a five or ten year repayment period.

RISLA projects that it will need up to \$10,000,000 in fixed-rate funding over the next twelve months. As the exact distribution of five or ten year loans cannot be accurately predicted, the Authority needs the flexibility to draw down the appropriate permanent financing only after it has originated the loans.

RISLA intends to use the same or more stringent underwriting criteria for the refinanced education loans as it does for loans made to students and parents while the student is still in school.

The Authority's objectives are to:

- 1) Lock in a fixed cost of funds for both 5& 10 year terms for a period of 3 to 6 months.

- 2) Market the appropriate fixed-rate refinancing to graduates and parents during the “lock period”; and, before the interest rate lock expires, place these loans into the bank’s permanent financing at the agreed upon rate.
- 3) Repeat the process of advertising to borrowers with a new fixed-rate if necessary and again permanently finance those education loans.

During the 3 or 6 month loan acquisition phases, the Authority may use other funds to acquire loans until the loans are permanently financed. The Authority would, however, entertain proposals for a revolving line of credit of \$10,000,000, the proceeds of which would be used to acquire and hold the refinanced/consolidated student loans until they are permanently financed.

Other terms of the financing facility that is RISLA is seeking are described in Exhibit A.

Volume of Bond Issues

The Authority anticipates that over the next two years there will be at least two new money bond issues and potential refinancing of existing bonds or other debt. The timing and size of the bond issue(s) are directly related to educational financing demand, and/or the availability of tax-exempt bond CAP, and market conditions. The bond issues may be a mix of fixed rate bonds, VRDN’s or Libor floating notes. The Authority is also open to reviewing alternative financing structures. The Authority works aggressively to implement the most efficient financing structures possible and to do so on a cost effective basis.

Term of Underwriting Engagement

The Authority generally goes out to bid for underwriters approximately every two years. The Underwriter will serve at the pleasure of the Authority and be subject to all applicable limitations of state law and policy.

Deadline for Submission of Proposal

Please submit five copies of your response no later than Friday, October 31, 2014 at 4:00 p.m. to 560 Jefferson Boulevard, Warwick, Rhode Island 02886-1371 Attention: Executive Director. Also, please email a pdf copy of your proposal to info@risla.com.

Financial Information

Interested parties can obtain the Authority’s most recent audited financials and a recent bond investor information presentation from the Authority’s web site risla.com or by contacting RISLA’s Controller, Kevan McAleer, via email at kmcaleer@risla.com.

Required Response Information

Respondents should complete the attached Exhibits B, C, and D and return to the Authority along with any other information that it deems appropriate. Respondents shall affirmatively state that their response shall remain firm for not less than 90 days from the due date for submissions.

Selection Process

Review of the underwriting and financing facility proposals will be undertaken by a committee comprised of the Executive Director, Deputy Director & Chief Financial Officer, Manager of Strategic Planning and the Authority's General Counsel. This committee will review all proposals, select finalists for oral interviews, if deemed necessary, and recommend to the Authority's board of directors a firm or firms to serve as lender and Underwriter for the Authority.

Selection will be made based on the lowest evaluated bid price for underwriting, including but limited to demonstrated ability to issue the types of securities the Authority wants, any documented pricing advantage in the market place and student loan financing experience.

RISLA reserves the right to cancel this request for proposals, to reject any and all proposals submitted in part or in their entirety, to request any additional clarifying information from any proposers, and to negotiate separately with any and all finalists. Issuance of this RFP does not commit RISLA to pay any costs incurred by proposers in connection with the preparation of their proposals.

Conference Call

Any and all questions regarding the RFP or the selection process should be emailed to Noel Simpson, the Authority's Deputy Director and CFO, at nsimpson@risla.com. There will be a bidder's conference call where all questions submitted prior to the call will be answered as well as the opportunity for prospective proposers to ask questions. This call shall take place on:

Thursday, Thursday October 16, 2014 at 3:00pm Eastern Standard Time

The call in number is 1.800.704.9804

Participant code is: 355339 #

A. Scope of Services Underwriting

The scope of underwriting services being requested from proposers in connection with the issuance of the proposed Bonds will include, but not be limited to, the following items.

1. Work with RISLA staff and financial advisors to develop a financing plan, or alternative financing plans, including preparation of estimates of interest expense, estimates of issuance costs, recommendations of debt structures, and development of preliminary marketing strategies for selling the proposed Bonds for the Authority's purposes. For institutionally directed sales, the underwriter would be expected to provide to the Authority a list of potential purchasers of the Authority debt.
2. Work with Authority staff and financial advisors in developing and preparing a marketing strategy and presentation designed to encourage potential investors to purchase RISLA's bonds.
3. Participate with RISLA staff, financial advisors and bond counsel in activities regarding obtaining credit/liquidity facilities, if any, and preparation of documentation related thereto.
4. Review and provide timely comment on all documentation prepared by Bond Counsel and Authority staff.
5. Review and timely comment on the preliminary and final official statements, ensuring full disclosure in accordance with guidelines established by the Government Finance Officers Association ("GFOA") and complying with the distribution, filing and other requirements of the Securities Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB").
6. Working with RISLA staff, financial advisors and bond counsel to advise the Authority on the requirements of credit rating agencies with regard to the various alternative financing plans, and participate with the Authority and Bond Counsel in activities regarding credit rating agency reviews and the assignment of a credit rating to the proposed Bonds.
7. Working with RISLA's staff and financial advisor to assist the Authority in obtaining any necessary or desirable repurchase agreement instrument from an independent provider for investment of acquisition, float and reserve monies. The Authority will conduct the bid process.
8. Form and participate in a selling group or an underwriting syndicate subject to approval by the Authority. Negotiate sales of Bonds; provide preliminary pricing, take order and finalize pricing; and maintain records of the account. Provide a list of potential purchasers to Authority at least one week prior to the sale of Bonds.

9. Prepare an analysis to precede the offering of the proposed Bonds by at least one (1) week. The analysis should provide: (i) an estimated pricing for the proposed Bonds;(ii) actual quotations for the underwriting spread components; (iii) details on comparable recent sales, indicating the interest rates, spread components, ratings, and any unusual aspects; and (iv) a description and characterization of the current market.
10. Prepare a final Bond Purchase Contract to purchase the Bonds from the Authority for resale to investors, and assist the Authority, financial advisors and Bond Counsel with other matters as necessary to ensure the successful marketing of the Bonds.
11. Coordinate closing arrangements with the Authority, the corporate trustee bank, Bond Counsel and any other necessary parties to the transaction.
12. Provide progress reports to the Authority from time to time, and assist in other specified activities as the Authority may identify relating to the preparation, issuance and sale of the Bonds, including providing a final sales distribution report to the Authority which list the initial purchasers.

B. Minimum Experience of Underwriters

1. Federal Education Loans - Underwriters involved in the Authority's Bond issues must have demonstrated experience as the lead or senior co manager Underwriter with student loan bond issues.
2. Non Federal Education Loans - Underwriters involved in the Authority's Bond issues must have demonstrated experience as the lead or co senior manager in the issuance of non-Federal loan program bonds.

C. Required Components of Proposal :Underwriters

1. List your experience with federal student loan bond issues since April 1, 2012 that were senior managed or co-managed by your firm. Include the dollar amounts of the issues and your role for each transaction. See Exhibit A, "Student loan Bond Experience".
2. List the transactions on which your firm has served as senior or co-manager in the State of Rhode Island since April 1, 2012. Note the dollar amounts and your role for each transaction.

3. Provide a firm bid on what the underwriting costs would be. See attached Exhibit B, "Fee Schedule". The Underwriter shall be responsible for obtaining qualified counsel and for all fees and expenses of the Underwriter's counsel. The Underwriter should assume that as in most cases there will be delays and unexpected issues and that these should be factored into the not to exceed price on the Fee Schedule.
4. Describe your firm's capital base and commitment to underwriting municipal securities in general and student loan financings in particular, including the number of persons having worked on student loan issues in the last 24 months and any changes in the number of personnel assigned to this activity.
5. Provide resumes of the personnel who would be assigned to this transaction and indicate what role they will be assuming and the extent to which they will be available to the Authority.
6. Please provide a schedule of the student loan floating rate note (Libor Floater) transactions in which you have served as the lead or co-manager since April 1, 2012. Please indicate whether the transaction was taxable or tax exempt, the type of student loan collateral that was financed, the term of the notes and the pricing level (spread to Libor) by maturity, NOT an average for the transaction.
7. Do you believe that your firm has capabilities that enable it to sell bonds at lower interest rates than other Underwriters? If so, detail these capabilities that you believe will provide optimal pricing of the Authority's bonds.

D. References

Provide three references from among your student loan tax exempt bond clients.

E. Rhode Island Ethics & Disclosure Requirements

Discuss how your firm deals with professional ethics in connection with public finance engagements. How do you handle actual or potential ethical problems that arise in the marketing and execution of your public finance business? What process do you maintain so as to provide a consistently high standard of professional ethics?

The highest standards of conduct must apply to this Authority in decisions relative to the issuance of millions of dollars of bonds, especially in regards to the review and selection of Underwriters who receive substantial fees for services related to the bond issuance. The public has a right to know that decisions relative to the issuance of bonds or to the review and selection of Underwriters are not based upon political considerations. Accordingly, the Authority insists

upon full compliance with Public Law 93-249, Reporting of Political Contributions by State Vendors.

Include a letter from your Chief Executive Officer or Firm Managing Partner, as required by Rhode Island State policy, certifying that (i) no members of your firm made inquiries with respect to this Request for Proposal with any member of the Board of Directors of the Authority, or any employee of the Authority (other than the Executive Director, CFO, and Manager of Strategic Planning) or any elected official in the State of Rhode Island from the date of this Request for Proposals through the date of your proposal and (ii) that all information in your proposal is true and correct to the best of his/her knowledge and (iii) that the firm listing of campaign contributions above is complete, and is in full compliance with Public Law 93-249, Reporting of Political Contributions by State Vendors. Also include in such letter that the proposed fee structure does not exceed the rate of compensation charged to other preferred public or private clients.

F. Other

1. Discuss any topics not covered in this Request for Proposals which you would like to bring to the attention of the Authority.

EXHIBIT A

General Background of the Line of Credit and Term Financing

Desired Fixed Rate Term	Loan Amount
Five years	\$5,000,000
Ten Years	\$5,000,000

General Conditions

RISLA will not provide a General Obligation (GO) of the Authority on a term lending facility. The lender's sole recourse on the term lending facility will be limited to the loans and other assets pledged as collateral for the term financing. RISLA will separately consider the terms and conditions of the line of credit from the longer term financing facility.

RISLA will not enter into a SWAP agreement.
RISLA will originate and service the loans financed with the advances from the financing.

Variable Rate Line of Credit

The purpose of the line of credit is to finance the origination of loans prior to term financing. RISLA is looking for a line of credit amounting to \$10,000,000.

Collateral

The Authority will pledge the fixed rate refinanced (consolidation) education loans made to credit worthy borrowers. There is no federal guarantee on the refinanced loans. Loans will enter repayment within 45 days of refinancing, with a standard mortgage amortization. Underwriting criteria can be provided upon execution of a confidentiality agreement with RISLA.

The Authority will originate loans using the \$10,000,000 line of credit, then twice a year transfer the loans to the permanent financing. RISLA will match fund the loans with the fixed rate funds to determine the appropriate spread. The Authority would prefer at least a three month rate lock during the origination period. The Authority anticipates that it will draw \$4,000,000 by January 31, 2015 and an additional \$6,000,000 by June 30, 2015.

Please provide in your response to the RFP a listing of the terms and conditions of the line of credit and term financing facility including the advance rate and collateralization terms.

EXHIBIT B

Please complete and submit the following interest rate matrix for the term loan:

Term of the Loan	Spot rate as of __/__/__	w/3 month rate lock	w/ 6 month rate lock	Fee for rate lock 3 or 6 months
4 years	_____	_____	_____	_____
5 years	_____	_____	_____	_____
6 years	_____	_____	_____	_____
7 years	_____	_____	_____	_____
8 years	_____	_____	_____	_____
9 years	_____	_____	_____	_____
10 years	_____	_____	_____	_____

As interest rate change every day, please indicate the index the proposed rate is based on and the spread over that index. If the rates are not based on an index, please state how they are calculated and provide at least two examples of what the rates would be if the index is 100 bps and 200 bps higher than today's rates. Also show the major assumptions used in your example.

If there is a penalty for prepaying the term loan, indicate how it is calculated. Please provide two examples of how the prepayment penalty is calculated using the following assumptions:

- 1) For a 5 year term loan a \$1,000,000 prepayment at the end of the 3rd year.
- 2) For a 10 year term loan a \$1,000,000 prepayment at the end of the 7th year.

Line of Credit

Please specify the terms of the line of credit and the index that will be used to determine the interest rate and the spread over the index. Also please indicate the unused line fee as a percentage of the unused funds that have not been drawn on the line as well as any and all other fees.

EXHIBIT C

Tax Exempt and Student Loan Bond Experience
1/1/2012 to Present

Name of Underwriter: _____

<u>Date</u>	<u>Name of Issuer</u>	<u>Type of Security Fixed, Libor floater, etc.</u>	<u>Amount</u>	<u>Role</u>
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EXHIBIT D

Underwriting Fee Schedule

Please provide NOT TO EXCEED costs for the following types of bond issues. These not to exceed bids will not be exceeded regardless of market circumstances, changes or delays caused by the Authority or other participants including but not limited to rating agencies, credit enhancers, trustees, etc.

The payment of all fees, including Underwriter's Counsel, is contingent upon the closing of the transaction and will be paid by the Authority after closing and shall not be deducted from proceeds.

The Authority reserves the right to not consummate a transaction if in its sole opinion it is not in the best interest of the Authority.

	\$25 to \$50 million Serial Fixed Rate	\$100,000,000 7 Day VRDN	\$100 to \$200 million of LIBOR Floating Rate Notes	\$100 to \$400 million of LIBOR Floaters - Private Loans	FFELP Loans
TERM:	(Insured or Senior/Sub)				
	Dollar Cost / Bond	Dollar Cost / Bond	Dollar Cost / Bond	Dollar Cost / Bond	
	Min. - Max.	Min. - Max.	<u>Taxable</u> <u>Tax Exempt</u>	<u>Taxable</u>	<u>Tax Exempt</u>
Management Fee (with Cash Flow Preparation)					
Management Fee (without Cash Flow Preparation)					
Underwriter's Expenses					
Underwriter's Counsel					
Take Down					
RI Public Fin Manag Board Fee, if any					
Other, specify					
Total Underwriting					
Cost Per Bond.					

The undersigned hereby represents and warrants that the maximum end of the above range is a firm not to exceed bid that cannot be exceeded regardless of the circumstances involved for a two year period from the date this contract is awarded.

Date: _____

Firm: _____

By: _____
(Signature)

Title: _____