

Request for Proposals
For
Line of Credit and Fixed-Rate Financing

Rhode Island Student Loan Authority
560 Jefferson Boulevard
Warwick, RI 02886

March 12, 2014

Please note the following critical dates:

RFP Issued, Posted to RI Division of Purchases Website
Conference Call for Questions
Due Date for Receipt of Proposals
Anticipated Decision Date

March 12, 2014
March 21, 2014
April 4, 2014
April 25, 2014

Background

The Rhode Island Student Loan Authority (RISLA) was established in 1981 as a public agency of the State of Rhode Island and is a leading originator of state-based 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.

Objectives

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 non-revolving line of credit of \$10,000,000, the proceeds of which would be used to acquire and hold the student loans until they are permanently financed.

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 Exhibit A and return to the Authority along with any other information that it deems appropriate. Each response must be valid for at least 90 days from April 4, 2014.

Selection Process

Review of the proposals will be undertaken by a committee comprised of staff from RISLA, RISLA's attorneys and financial advisors. This committee will review all proposals and make a recommendation to the RISLA Board of Directors as soon as appropriate with the expectation being late April. Final selection will be made based on the lowest cost of funds and terms that best meet the Authority's needs.

A conference call will be held on Friday, March 21, 2014 @ 2:00 p.m. to publicly address any questions that interested parties responding to this RFP may have. The conference call in number is 800-704-9804. The participant code is 355339#.

With the exception of a question and answer process and other communications which might be initiated by the RFP review committee in the course of its review, please note that no member or representative of your organization may discuss the RFP or your proposal with any employee or board member of RISLA, or any other Rhode Island state official, office holder, or employee (including general officers, state legislators and their staffs, etc.) or any other party who might reasonably be considered to have any influence on vendor selection until RISLA has announced a decision with respect to this RFP.

Proposals must be received no later than 4:00 p.m. on Friday, April 4, 2014. Please submit five hard copies of your response to 560 Jefferson Boulevard, Warwick, RI 02886-1371. Attention: Charles Kelley and email a PDF of your response to ckelley@risla.com.

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

Rhode Island Student Loan Authority
Date: March 12, 2014

EXHIBIT A

Please submit the following

General Background:

<u>Desired Fixed Rate Term Loan Amount:</u>	
5 years	\$ 4,000,000
Up to 10 years	<u>\$ 6,000,000</u>
Total	<u><u>\$10,000,000</u></u>

Conditions:

No general obligation of the Authority

The Authority will not enter into any SWAP agreements

The Authority will originate and service the loans as it is currently doing

Optional Variable Rate Line of Credit:

Purpose - to finance the origination of loans before they are put into term financing.

Amount: \$5 to \$10 million

Non-renewable line should be for a term of one year.

Collateral:

Fixed-rate refinanced (consolidated) education loans to credit worthy borrowers

No federal guarantee

Loans enter repayment with 45 days of refinancing, standard mortgage amortization

Underwriting criteria can be provided upon execution of a Confidentiality Agreement

Advance rate on collateral of 85%

The Authority will originate loans either, using its own funds or a line of credit, then twice a year transfer them to permanent financing as noted below.

As the loans to the individual borrowers will be made at a fixed-rate, the Authority must match fund these loans with fixed-rate funds to determine the appropriate spread.

Consequently, the Authority would prefer at least a three month rate lock during the origination period.

Anticipated draw schedule based on amount of refinanced loans that have been consummated.

10/31/14	\$4,000,000	(mix of 5 yr & 10 yr loans)
5/31/15	\$6,000,000	(mix of 5 yr & 10 yr loans)

Please complete the following matrix and submit with your response:

As the interest rate from the time of the this RFP and closing will certainly change, please indicate the index on which your proposed interest rate is based and the spread over that index.

If your rates are not based on a simple spread over an index, indicate how they are calculated and provide at least two examples of what the rates would be if the index is 100pbs and 200pbs higher than today's rates and what other major assumptions are inherent in that calculation.

	Spot	w/ 3	w/6	
	rate as of	month	month	Or fees for rate locks
Term of loan	__/__/14	rate lock	rate lock	of 3 and 6 months.
4 years				
5 years				
6 years				
7 years				
8 years				
9 years				
10 years				

	Specify	Spread
	<u>Index</u>	over
Line of Credit (Optional)		<u>Index</u>
Variable rate	_____	
Unused Line Fee	_____	% per ear

Issues:

- 1) Prepayment of term loan to your institution -
If there is a prepayment penalty, please indicate how it would be calculated and provide two examples using the following assumptions:

For the 5 yr term loan: \$1,000,000 prepayment at the end of the 3rd year.

For the 10 year term loan: \$1,000,000 prepayment at the end of the 7th year.

- 2) If the Authority is expected to pay legal fees, please provide a preliminary estimate of the maximum fees for the bank's attorney.

Submitted by:

Institution

Signature

Date