

**Georgia Housing and Finance Authority
Request for Proposals for Senior Managing Underwriter(s)
and the Co-Manager/Selling Group Pool Members
for Single Family Housing Bond Issues**

I. Statement of Purpose

The Georgia Housing and Finance Authority (the "Authority") is pleased to request proposals from firms to serve as Senior Managing Underwriter(s) (collectively "Senior Managers") or as Co-Managers/Selling Group Pool members for future issues of single family housing bonds. The successful candidate(s) will tentatively begin with bond issues after August 1, 2010. However, it should be noted that the Authority's bond issuances, as well as its Senior Underwriters and Co-Managers/Selling Group Members, must have the prior approval of the Georgia State Financing and Investment Commission ("GSFIC"). If a bond deal has begun prior to GSFIC approval of those Senior Underwriters and Co-Manager/Selling Group pool members selected as a result of this RFP process, then current underwriters will continue to serve until the following bond deal.

It is intended that the Senior Managers will be selected for a period of up to three years; however, the Authority retains the right to solicit proposals for Senior Managers at any time. Furthermore, the Authority may, at any time, and in its sole and absolute discretion, elect to use a competitively bid structure.

In addition to the Senior Managers, the Authority seeks to compile a pool of underwriting firms to serve as revolving members of the finance team. Firms named to the pool will have the opportunity to serve as Co-Manager/Selling Group Pool Member on future bond issues. However, pool members will not be guaranteed a position on the finance team on any particular issue, or a continuing position beyond the deal on which they are selected to serve. The Authority reserves the right to select pool members on an as needed basis.

II. General Information

The Authority's programs are administered by the Department of Community Affairs ("DCA"), a legislatively created executive branch of State government. The same persons who comprise the State's Board of Community Affairs also constitute the Authority's Board of Directors. The Commissioner of DCA is, by law, also the Executive Director of the Authority and appoints such directors, deputies, and assistants as may be necessary to manage the operations of the Authority. The firm of cfX, Inc. serves as the Authority's cash flow consultants, and is responsible for 1) performing extensive analysis of the Authority's entire portfolio, 2) identifying deal structure options for GHFA staff analysis and selection, and 3) calculating final cash flows for the rating agency reviews.

During 2009, the Authority purchased 449 qualifying single family mortgage loans totaling \$37.4 million. However, as a result of the federal New Issue Bond Program ("NIBP"), the Authority recently has been able to offer more favorable mortgage rates. Mortgage reservations

have increased significantly in 2010 and the Authority expects to purchase mortgages in excess of \$100 million during the year.

As has been the case in recent years, mortgage rates in the greater Atlanta area have remained at or below national average mortgage rates. In order to be competitive, the financing structures used by the Authority support continuous funding and allow the Authority to adjust mortgage rates weekly or as necessary. Currently, the Authority is primarily purchasing FHA-insured mortgages and almost all mortgages are accompanied by down payment assistance ("DPA"). The Authority has engaged Digital Assurance Certification LLC ("DAC") as its disclosure agent and financial information concerning the Authority may be accessed at www.dacbond.com.

A. Schedule of Events

The schedule of events for this RFP is as follows:

Advertise Request for Proposals	Week of 6/14/10
Proposals Due (receipt by GHFA)	7/12/10 (by 4:00pm)
Notification to Senior Managing Underwriters Selected for Oral Presentations (should the Authority deem them necessary)	Week of 8/9/10
Oral Presentations by Senior Managing Candidates	Week of 8/23/10
Announcement of Selected Underwriting Teams	After 9/1/10 once GSFIC has approved the selection

B. Reservation of Rights

In connection with this RFP, and the services to be provided by members of the underwriting team selected pursuant to this RFP, the Authority reserves the right to:

- (i) cancel this solicitation at any time;
- (ii) reject any or all proposals;
- (iii) request additional information from individuals or firms prior to final selection of senior managing underwriters, co-managers, or selling group members;
- (iv) change the schedule of events or cancel any funding program without any financial obligation for services provided or out-of-pocket expenses incurred, or any other obligation to the underwriters;
- (v) change underwriter rotation at the Authority's discretion;
- (vi) determine the allocation of the management fee;

- (vii) initiate discussions and contract with organizations, including other investment bankers, to implement any unique ideas or opportunities which the Authority deems to be of significant value to the Authority for the Single family program and for all non-single family bond issuances; and
- (viii) review any change in significant staff members of the underwriters involved in the financing, as well as the right to discharge the firm promptly due to such personnel changes.

III. The Authority's Homeownership Program

In the 34 years since its first Single family bond issue, the Authority has issued approximately \$3.2 billion in qualified mortgage bonds under four separate general resolutions.

Resolution 1 (1976). This resolution has had more than \$2.4 billion in bonds issued and is currently the only active issuing resolution. This resolution allows cross calls and this option has been extensively exercised. The Resolution has been used exclusively since 1993 and allows for the purchase of FHA, VA, FNMA, and conventional loans. This resolution has been assigned a rating of "AAA" by Standard and Poor's since July 1998. The Trustee is U.S. Bank.

Resolution 2 (1982). There was only one series issued under this resolution and all associated bonds have been redeemed.

Resolution 3 (1984). Fifteen series were issued under this resolution and all associated bonds have either been redeemed or defeased.

Resolution 4 (1992). Only three series were issued under this resolution and all associated bonds have been redeemed.

During 2009, the Authority issued \$55 million bonds, but due to replacement refundings, used only \$43 million in bond allocation volume cap.

Gross volume cap for the State of Georgia in 2010 was \$884,629,000. Under the law governing the initial allocation, the Authority received \$233,100,000; however, the Authority has carryforward allocation totaling approximately \$600 million and will return the 2010 allocation to the State's Flexible Pool.

The Authority is actively participating in the NIBP. It issued \$18 million NIBP bonds in 2009 and has escrowed \$195 million for rollouts during 2010 and 2011.

IV. Bond Program Objectives

The Authority's primary objective is to facilitate the purchase of affordable housing by offering mortgage loans to qualified borrowers at the lowest possible rate consistent with sound fiscal management. To meet this objective the following parameters have been established:

- A. Maintain single family mortgage rates at an economically attractive level accompanied by DPA when necessary;
- B. Structure each single family deal to achieve as closely as possible the full 112.5 basis point spread between the bond yield and the mortgage yield;
- C. Increase retail bond sales, especially within the state of Georgia;
- D. Maintain the Authority's "AAA" bond rating from Standard & Poor's;
- E. While maintaining the "AAA" rating, use excess funds to support other single-family housing based programs;
- F. Increase production through the use of specialized programs with emphasis on rural areas; and
- G. Continue to provide uninterrupted single family program funding in a manner such that the Authority's customers (lenders and home buyers) are not affected by the characteristics of individual bond transactions.

V. The Senior Managers

The Senior Managers will be responsible for the marketing and selling of the Authority's bond issues as well as assisting, as necessary, GHFA's cash flow consultants (cfX, Inc.) in structuring each bond deal. The Senior Managers will be expected to present and, when authorized, incorporate structural, market, and programmatic innovations into bond sales. The Authority expects to use the Senior Managers as a source of market information and financial management advice on existing and new bond issues.

In recent years, the Authority has used two Senior Managers, alternating the Lead (book-running) Senior Manager with each new issue, but the Authority reserves the right to use three Senior Managers on a rotating basis.

The Senior Manager(s) will share 100% of the management fee equitably on each deal regardless of status as Lead Senior (book-runner) or Co-Senior. All firms (Senior Managers and Co-Managers) will be compensated on a "takedown" basis for the sale of bonds.

The Authority will actively participate in and have final approval of the orders and allotments process.

VI. Services of the Underwriting Team

The scope of services expected from the Senior Managers in connection with issuing bonds shall include, but not be limited to, the following:

- A. Participate in evaluating various options under current Authority single family resolutions and/or subsequent resolutions, which will provide the Authority maximum flexibility while assuring a Standard and Poor's "AAA" rating, or an alternate rating, acceptable to the Authority, in subsequent resolutions.
- B. Provide personnel to be readily available to Authority representatives to ensure that all tasks are completed on time and to coordinate all efforts with the Authority and its counsel, bond counsel, and cash flow consultants.
- C. Coordinate with co-managers and selling group members, negotiate the sale of the bonds, provide preliminary pricing, take orders and finalize pricing, and maintain the records of the account.
- D. Offer to purchase the bonds on terms and conditions mutually acceptable to the Authority and the underwriters.
- E. Prepare a comprehensive "Final Pricing Book" within one week of the pricing date of each issue of bonds, which should include such information as:
 - (i) actual price scale for the bonds;
 - (ii) comparison of actual pricing to the Municipal Market Data (MMD) benchmark;
 - (iii) details and comparisons to actual recent comparable sales;
 - (iv) description of actual market conditions at the time of sale;
 - (v) orders and allotments by firm (including overall totals, and a breakdown by Priority and Non-priority);
 - (vi) zip codes for all GA retail purchases; and,
 - (vii) summary of total compensation to all participants in the transaction (broken out by management fee and takedown), including designations by firm.
- F. Provide continuing investment banking services and deal management advice as required by the Authority after the closing of the bond issues.

Co-managers will be expected to provide input on an as-needed basis and to act as members of the management group on the proposed financings.

All members of the underwriting team will be expected to provide other customary services requested by the Authority.

VII. Proposal Type

Respondents may submit proposals to serve as Senior Managers, or to serve only as Co-Manager/Selling Group members. The respective information requirements for these two levels of proposals are outlined in the following sections. All proposals must contain sufficient information, and supporting documentation to support our decision to retain the services of the respondent(s). It should be noted that candidates for Senior Managers, that are not selected to serve as Senior Managers, will remain eligible for selection as Co-Manager/Selling Group Pool members. Participation as a Co-Manager or in the Selling Group will not assure a firm's involvement in each bond sale.

VIII. Senior Manager and Co-Manager/Selling Group Proposal Content

For candidates seeking to become Co-Managers/Selling Group members **only**, please provide the information in Section VIII, assembled in the order listed. For candidates seeking to become Senior Managers, please provide the information in both Sections VIII and IX in the order listed.

Overview of the Firm

- A. List the principals of the firm (Chief Executive Officer, Chief Financial Officer, and Chief Financial Operations Officer) and the address of the firm's corporate headquarters.
- B. List by location the firm's offices in Georgia that trade or offer for sale tax-exempt and taxable single family housing bonds.
- C. List by location the number of brokers in Georgia that trade or offer for sale tax-exempt and taxable single family housing bonds.
- D. Provide your firm's "equity capital position" (net capital) and "excess net capital position" based upon Securities and Exchange Commission regulations for uniform reporting. (Do not include financials).

Finance

- E. Provide a listing of negotiated single family bond issues in which your firm has participated during the past two years, using the format in Attachment A.

Other

- F. Provide your firm's certification that neither your firm nor any person or entity associated with your firm and covered by Municipal Securities Rulemaking Board Rule G-37 (including all "municipal finance professionals" and "political action committees" as defined by Rule G-37) during the past three years, has made any contribution, directly or indirectly, to an official of the issuer or to a member of

the Georgia State Financing and Investment Commission, excluding any de minimus contributions not covered by Rule G-37.

- G. Will a consultant or any other party benefit from your firm obtaining the Authority's business? If so, whom and how?

IX. Additional Senior Manager Proposal Content

In addition to the information requirements listed in the Co-Managers/Selling Group Proposal Content section above, those candidates seeking to serve as Senior Managers must provide the following information, in the order listed.

Overview of the Firm

- A. Provide resume summaries of the individuals who would be working directly with the Authority, including the number of years of experience each individual has with single family housing bonds. **If your firm is asked to make an oral presentation, these individuals must make the presentation.**

Finance

- B. Describe innovative strategies or financing techniques that your firm has recently used in order to develop viable new housing production programs or to increase production of current housing programs in rural areas.
- C. What specific steps has your firm taken or can you offer to reduce the costs of issuance?
- D. Detail your firm's proposed fee structure for each issuance example listed in Attachment B. Note that the first example includes 100% market-rate bonds while the second includes 60% NIBP bonds.
- E. Summarize the amount of capital available and your firm's philosophy in applying that capital to ensure the placement and takedown of bond issues. Please provide specific examples and references.

Other

- F. Please identify any material litigation or investigation in which your firm or its Chief Executive Officer, Chief Financial Officer, or Chief Financial Operations Officers is currently involved, or has been involved since January 1, 2005. Include any allegations of securities law violations by your firm or the principals listed above and the disposition of any litigation.

X. Specifications and Deadlines

- A. All proposals must be received by the Authority (via mail or hand delivery) no later than 4:00 pm on July 12, 2010. Proposals received after 4:00 pm on July 12, 2010 will not be accepted. Proposals will not be accepted via facsimile or e-mail. Proposals must be organized so that responses are in the same order as, and are cross-referenced to, the applicable section of the requested information.

Proposals should be addressed to:

Cassandra V. Knight
Georgia Housing and Finance Authority c/o
Georgia Department of Community Affairs
60 Executive Park South, N.E.
Atlanta, GA 30329-2231

- B. Eight (8) copies of the proposal must be submitted.
- C. Proposals must be stapled or clipped in the top left corner and must not be bound.
- D. Proposals may not exceed ten (10) pages, excluding the transmittal letter and attachments.
- E. On the transmittal letter, please indicate who will be the contact person at the firm with whom the Authority will communicate all information regarding this Request For Proposal. Please include the phone and facsimile numbers and e-mail addresses for this individual. The transmittal letter should clearly state that the proposal is in response to the request for proposal.
- F. If there are any questions related to this request for proposal, please send them via e-mail to Cassandra V. Knight at cassandra.knight@dca.ga.gov. All questions and answers will be posted on the Georgia Department of Community Affairs web page.
- G. Proposals will be evaluated based upon the responses to the specific items outlined in Sections VIII and IX. Although the Authority reserves the right to contact respondents and ask them for required information omitted from the proposal, proposals that omit requested information or exceed requested information parameters may be rejected as non-responsive.

XI. Non-Contact Notice

Except for item X.F. above, with regards to this request for proposal, responding firms are prohibited from contacting any Authority or DCA staff or Board member, any State official associated with the Georgia State Financing and Investment Commission or its staff, any staff of the Commission members themselves, or any member of the Georgia General Assembly. This

prohibition begins at the time notice of this request for proposal is posted and continues until selected firms are announced. Prohibited contact may disqualify the contacting firm from proposal consideration.

As a point of information, the GSFIC members include Georgia's Governor, Lt. Governor, Attorney General, State Auditor, State Treasurer, Speaker of the House, and Commissioner of Agriculture.

XII. Non-Binding Request and Proposal

The expectations, plans, and requests expressed in this request for proposal are not to be considered a commitment or contract in any way. The only binding agreements will be Bond Purchase Agreements and similarly enumerated contracts.

Attachment A

Provide a listing of negotiated single family bond issues in which your firm has participated over the last two years.

Series	Issuer	Date of Issue	Firm's Role	Issue Size (\$)	Firm's Total Orders (\$)		Firm's Total Allotments (\$)		
					Retail	Institutional	Retail	Institutional	

Attachment B

**Georgia Housing &
Finance Authority
Series A
60,000,000**

**Georgia Housing &
Finance Authority
Series B
60,000,000**

<u>Maturity Date</u>	<u>Bond Type</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Bond Type</u>	<u>Principal Amount</u>
Non-AMT			Subseries B-1 Non-AMT		
		20,000,000			
June 1, 2010	Serial	245,000	June 1, 2010	Serial	270,000
December 1, 2010	Serial	345,000	December 1, 2010	Serial	340,000
June 1, 2011	Serial	350,000	June 1, 2011	Serial	350,000
December 1, 2011	Serial	360,000	December 1, 2011	Serial	360,000
June 1, 2012	Serial	375,000	June 1, 2012	Serial	370,000
December 1, 2012	Serial	385,000	December 1, 2012	Serial	380,000
June 1, 2013	Serial	395,000	June 1, 2013	Serial	400,000
December 1, 2013	Serial	405,000	December 1, 2013	Serial	400,000
June 1, 2014	Serial	415,000	June 1, 2014	Serial	420,000
December 1, 2014	Serial	435,000	December 1, 2014	Serial	440,000
June 1, 2015	Serial	470,000	June 1, 2015	Serial	450,000
December 1, 2015	Serial	500,000	December 1, 2015	Serial	460,000
June 1, 2016	Serial	510,000	June 1, 2016	Serial	480,000
December 1, 2016	Serial	525,000	December 1, 2016	Serial	500,000
June 1, 2017	Serial	545,000	June 1, 2017	Serial	510,000
December 1, 2017	Serial	555,000	December 1, 2017	Serial	540,000
June 1, 2018	Serial	575,000	June 1, 2018	Serial	550,000
December 1, 2018	Serial	590,000	December 1, 2018	Serial	560,000
June 1, 2019	Serial	610,000	June 1, 2019	Serial	590,000
December 1, 2019	Serial	<u>625,000</u>	December 1, 2019	Serial	<u>600,000</u>
		9,215,000			8,970,000
December 1, 2025	Term	7,370,000	December 1, 2025	Term	7,170,000
December 1, 2030	Term	9,885,000	December 1, 2030	Term	7,860,000
December 1, 2035	Term	13,235,000	Subseries B-2 Placed Bonds – Not Publicly Offered (NIBP)		
December 1, 2040	Term	20,295,000	December 1, 2040	Term	36,000,000

Underwriter's Fees:

	Total \$	Avg. per bond
Takedown (1)		
Management Fee		
Expenses:		
(Please list)		
Other:		
(Please list)		
TOTAL FEES		

(1) also show takedown per bond for each market bond maturity.

Underwriter's Fees:

	Total \$	Avg. per bond
Takedown (1)		
Management Fee		
Expenses:		
(Please list)		
Other:		
(Please list)		
TOTAL FEES		

(1) also show takedown per bond for each market bond maturity.