



**Michigan Saves**<sup>®</sup>

The Nation's First Nonprofit Green Bank

# Request for Proposals (RFP) for Lending Modeling Services

## Summary

Michigan Saves seeks a consultant to build a financial model to support the business case and to evaluate a portfolio of direct lending products that leverage the Inflation Reduction Act (IRA).

## Overview of Michigan Saves

Michigan Saves, the nation's first nonprofit 501(c)(3) green bank, promotes accessible, equitable, and just investments in energy efficient and clean energy improvements to support healthy and thriving communities. We make energy improvements easier for Michigan energy consumers by stimulating and supporting investment in energy efficiency measures and renewable energy systems in Michigan homes, businesses, and public buildings. Established in 2009 through a grant from the Michigan Public Service Commission, Michigan Saves envisions an equitable transition to a carbon-free Michigan where everyone has access to the benefits of clean energy and climate-resilient solutions. Michigan Saves is part of this transformation by offering the financing solutions and contractor network that make energy efficiency and renewable energy improvements easy and affordable and by advancing a more energy-conscious culture in Michigan.

## Purpose of RFP

With the IRA's addition of Section 134 to the Clean Air Act, green banks across the country will soon receive grant, debt, and equity capital from the newly created Greenhouse Gas Reduction Fund. Michigan Saves hopes to leverage this funding opportunity to expand beyond the current credit enhancement model to offer numerous residential and commercial financial products. These new products include traditional loan products, utilizing a larger balance sheet.

Michigan Saves requires a financial model to effectively evaluate the potential new programs offered to customers. The main purpose of the financial model is to support the business case to evaluate new programs. The financial model will forecast cashflows to determine the number of loans and benefits that can be provided to customers under different levels of funding provided by third parties.

## Scope of Work

Please see Appendix A for the scope of work.

## Submission Requirements

Consultants should submit a narrative that demonstrates understanding of the services sought in this RFP and articulates a proposed approach to the work by containing the following items:

- Experience building financial models for banks or green banks
- Best-practice modeling methodology
- Experience teaching and coaching teams to use financial models
- Experience advising on loan products
- Project finance and energy industry knowledge, particularly with respect to tax equity and the IRA
- Reference contact information (name, organization, email, and phone number) from three or more current or recent clients and/or projects related to green bank financial modeling
- Budget for the scope of work proposed
- Approximate timeframe and implementation schedule for work proposed
- Bios and resumes for the project team or person, focusing on years of relevant experience
- Completed Michigan Saves diverse vendor form

You may include any other information you believe Michigan Saves should consider. All responses will be treated as confidential. Michigan Saves is not liable for any costs incurred by applicants in responding to this RFP.

## Evaluation and Selection

Michigan Saves will establish a committee to evaluate and rate all proposals based on the criteria prescribed in this RFP. Please submit responses via email to Eli Lieberman at [elieberman@michigansaves.org](mailto:elieberman@michigansaves.org) by 5:00 PM EST on February 3, 2023. After reviewing responses, Michigan Saves may interview and engage in negotiations regarding the scope of work and roles with one or more respondents and may make multiple awards.

Upon completing the selection process under this RFP, Michigan Saves will notify the selected respondent by February 10, 2023. All other respondents who were not selected will also be notified.

# Appendix A: Scope of Work

## Model Objectives

The financial model must be a best-practice model. It must be able to:

1. Forecast cashflows for each loan product to assess capital needs and to inform decisions regarding capital allocation.
2. Run sensitivities to analyze the impact of changes to financial inputs.
3. Present output metrics in a clear manner for decision-making.

### **I. Forecast cashflows for each loan product to assess capital needs and to inform decisions regarding capital allocation and constraints.**

The model will estimate future cashflows based upon inputs around average loan sizes, allocations to each loan product, and number of loans issued per year. The future cashflows will include both inflows (receipt of interest, fees, and principal) and outflows (loan drawdowns). Based on the user-selected volumes of loans issued per quarter, a total funding requirement for Michigan Saves can be determined.

The loan products proposed are listed below. The model must be flexible enough to include all loan products in the model.

#### **Commercial**

- Sub PACE 15-year term loan, with or without a construction loan
- Bridge loan product with interest only advancing capital for ITC transactions
- Bridge loan (as above) with conversion to a permanent/term loan
- Credit facility/construction-to-term loan
- Revolver loan
- Predevelopment loan

#### **Residential**

- Loans for energy efficiency and renewable energy

The model will allow Michigan Saves to evaluate these emerging and innovative programs (loans) and present the programs' financial viability internally and to other stakeholders.

## II. Run sensitivities to analyze the impact of changes to financial inputs.

The model requires the capability to change inputs in a user-friendly manner to evaluate the impact on cashflows. The model must include a scenario manager and output tables showing how different input combinations impact future cashflows and the overall funding need.

A preliminary list of sensitivities is listed below:

- Changes to interest rates (base rates, margins and step-up rates)
- Modifying the average loan sizes by product
- Updating the number of loans issued per quarter (by product)
- Modifying commitment and other financing fees
- Changes to loss rates and default rates
- Updating the typical loan profiles (drawdown and repayment schedules)
- A change of sale date (loans could be sold by loan type)
- Switch product types on and off
- Available capital size

## III. Present output metrics in a clear manner for decision-making.

The output sheets must be presented professionally. The outputs will become a key tool to inform internal strategies and to present the business case to the board. See the Model Outputs section on page six for more information regarding the outlined components.

### Model Inputs and Calculation Details

The calculations will center around the dynamics for current and expected commercial and residential financial products offered.

#### Inputs

Each product will rely on a structure where inputs are easily connected to calculations, and the following components should be available for all products, either as a static or time-series input:

- Timing
  - Model will be quarterly
  - Forecast cashflows for eight years
- Loan deployment
  - Average loan size by product
  - Number of loans issued per quarter by product
  - Interest base rate (time series)

- By loan type
  - Product type/name
  - Drawdown schedule and duration (to term conversion)
  - Repayment schedule
  - Interest rate margin and step-up margin (and timing of step-up)
  - Interest to include option for deferred (PIK) or paid interest
  - Loan fees
  - Sale date (all loans to be sold at Parity)
  - Default rate and loss given default
- Other
  - Opex for salaries and other overheads (time-series input)
  - Michigan Saves is tax exempt, so tax calculations are not required

### Model Outputs

The model output section requires a cashflow forecast on an annual basis with supporting graphs, and a standard income statement.

- Cashflow forecast
  - Revenue
  - Expenses and losses
  - Net asset value (NAV)
  - Cash balances
  - New commitments
  - Ratios and metrics related to cashflows (ROI, margins %, number of loans with average loan size)
- Standard income statement
  - Intended for management purposes; does not have to conform to specific accounting or regulatory standards

### Model Structure

The model will be structured on a bottom-up approach with quarterly calculations, and annual roll-ups for the outputs. For model layout and output graphs, a defined RGB color scheme will be provided by Michigan Saves.

The use of historic data in calculations will be minimal. Michigan Saves intends to add further capabilities into the model at later stages and integrate it with other planning resources. Calculations and sections need to be designed with this in mind, where it is easy for the model operator to build in new features and make sense of the model.

## **Roles and Responsibilities**

The consultant will lead the financial modeling and produce the calculations with the appropriate input from Michigan Saves. Michigan Saves is responsible for reviewing and approving all inputs, calculations, and methodologies.

The consultant must complete their own internal peer review, but a formal model audit is not required.



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# Request for Partner/Vendor Information

Michigan Saves is committed to engaging with partners and vendors that reflect the diversity of the many communities we serve. Our Diverse Partner and Vendor Program is an intentional opportunity for Michigan Saves to support our mission and break down barriers to growth that exist for minority business owners and ensure that everyone—without exception—has access to the benefits of energy efficiency.

Partner/Vendor Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Please check all that apply to your organization:

- Disability-owned Business Enterprise
  - People with disabilities own and control at least 51 percent of the company.
- Lesbian, Gay, Bisexual, and Transgender Business Enterprise
  - LGBTQ+ individuals own and control at least 51 percent of the company.
- Minority-owned Business
  - Minority group members own and control at least 51 percent of the company.
- Service-disabled Veteran-owned Business
  - Service-disabled veterans own and control at least 51 percent of the company.
- Social Enterprise Business
  - A for-profit or nonprofit organization or venture that achieves its primary social or environmental mission using business methods.
  - Surplus is principally reinvested in social activities, not driven by need to maximize profit for shareholders and owners.

- Supported Business
  - Over 50 percent of the business’s workforce are disabled individuals.
- Veteran-owned Business
  - Veterans own and control at least 51 percent of the company.
- Women’s Business Enterprise
  - Women own and control at least 51 percent of the company.
- Women-owned Small Business
  - The company must be a small business.
  - Women own and control 51 percent of the company.
- None of these

Michigan Saves understands that the complex, and at times high-cost, diverse business certification process can present inequitable barriers for small businesses and thus does not require diverse business certification from a national, state, or locally recognized third-party certification agency. Please self-certify if any of the above apply to your business.

While Michigan Saves does not guarantee business to any vendor, we are committed to providing diverse companies an opportunity to compete on a fair and equal basis for our business.

## Additional Partner Questions

1. Is your organization located in or provide targeted services/programming to a specific community that could be defined as disadvantaged, such as those with a majority of low-income or minority households?<sup>1</sup>

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<sup>1</sup> To be considered a disadvantaged community, a community must have at least 30 percent of households classified as low income. If you would like more information on additional qualifiers, see examples at <https://www.energy.gov/diversity/justice40-initiative>

2. Does your organization offer programs or training to internal staff related to diversity, equity, and inclusion? If so, please describe your program.

3. Our lending partners are sometimes certified by or affiliated with groups or programs that help them establish their services in communities with the greatest need. Please check all the following designations or certifications that apply to your organization:

- Community Development Financial Institution (CDFI) Certification
- Minority Depository Institution (MDI) Designation
- Low-income Designation (LID)
- Other: \_\_\_\_\_