



Michigan Saves[®]

The Nation's First Nonprofit Green Bank

Request for Proposals (RFP) for Loan Origination and Servicing Vendor

Summary

Michigan Saves is seeking a qualified vendor to originate and service loans with capital provided by Michigan Saves.

Overview of Michigan Saves

Michigan Saves is a nonprofit green bank dedicated to accessible, equitable, and just investments in energy efficiency and clean energy to support healthy and thriving communities. Michigan Saves was created in 2009 with grants from the Michigan Public Service Commission (MPSC) and the U.S. Department of Energy. As the nation's first nonprofit green bank, Michigan Saves has supported over \$575 million in clean energy improvements and served over 45,000 Michiganders.

To be part of this transformation, Michigan Saves offers financing solutions and contractor network that make energy efficiency and renewable energy improvements easy and affordable, as well as by advancing a more energy-conscious culture in Michigan. While more than half of the residential lending has been in low- to moderate-income communities, Michigan Saves expects to accelerate the development of financing solutions that address race- and income-related energy equity disparities.

Michigan Saves has 16 staff members and is governed by a 13-member board of directors. The board includes a nonvoting board member appointed by the chair of the MPSC. Please see MichiganSaves.org for more information.

Purpose of the RFP

In conjunction with Michigan's Department of Environment, Great Lakes, and Energy, Michigan Saves is creating the Septic Replacement Loan Program (SRLP) to provide a financial solution for failing or near-failing septic systems. Michigan Saves will provide technical assistance and administrative oversight of the SRLP.

Scope of Work

Expected to launch in the second quarter 2024, the SRLP will provide loans to help Michigan homeowners afford a replacement septic system. Homeowners can access the program's two tiers through a network of Michigan Saves authorized septic installation contractors. Michigan Saves is seeking a vendor to review applications and verify income pursuant to program requirements, route applicants to the appropriate loan tier, originate and service loans for applications in the income-qualified program tier (tier one) and provide collections support when necessary. Expansion into other programs is possible in late 2024.

Tier One, Income-qualified Loan

- Income-based loan for homeowners with household incomes less than 200 percent of federal poverty level
- Unsecured personal loan, no lien required
- Ability-to-pay underwriting criteria with limited use of traditional credit factors
- Interest rate no higher than 1 percent; terms to ten years
- May include incentives, such as loan forgiveness
- Loan capital provided by Michigan Saves

Further underwriting criteria and program requirements are outlined in Appendix B.

Michigan Saves will provide the vendor access to its loan origination software (LOS) and provide technical assistance with establishing the underwriting rules and criteria within the existing LOS. The vendor will need to use their own bureau credentials and servicing software. The LOS can pass a real-time XML or CSV file to an SFTP for the vendor to import into its core system to finalize origination and start servicing. Loan documents and other required documentation (e.g., disclosures, adverse action notices, privacy notices) would be facilitated through the vendor's core.

Michigan Saves maintains an external platform, NGEN, that acts as a loan management partner. The LOS verifies authorized contractors through an API with NGEN and will facilitate job-related documents and communication from installers. The vendor will enter contractor updates into NGEN (e.g., when loan documents have been sent and received). The vendor will disburse loan proceeds to the contractor after the signed certificate of completion is sent through NGEN.

The vendor will continue servicing and providing collection activities as needed for the term of the loan. This includes reporting of loan statuses to the credit bureau. A monthly report detailing principal and interest repayments will be remitted by the tenth of each month. Collected repayments will be sent on a quarterly basis to Michigan Saves.

Tier Two, Market-based Loan

- Market-based loan for those who do not qualify under tier one
- Unsecured personal loan, no lien required
- Credit-based underwriting criteria
- Interest rates start around 8 percent but vary by lender; terms to ten years¹
- Loan capital provided by Michigan Saves' network of residential lenders

The vendor will route applications that do not qualify for tier one to the existing online loan application and centralized LOS that Michigan Saves outsources for automatic decisioning. Borrowers will select from a list of Michigan Saves financial partners in the loan application who will originate and service the loan. No further assistance from the vendor is needed.

The vendor should recommend a specific approach completing the SRLP scope of work as well as the servicing software. Michigan Saves does not have a specific software preference but prioritizes solutions that complement our existing platforms with minimal operational impact.

Service Levels

Service	Target Level
Average speed of answer (ASA)	Less than 30 seconds
Average handle time (AHT)	8 minutes
Abandon rate	Less than 4%
Underwriting time ²	Less than 5 minutes
Funding time	Within 48 hours of receiving certificate of completion
Quality	Call quality monitoring

Estimated Volume

Period	Tier One Loan Volume
2024	300
2025	425
2026, Q1-Q3	290

¹ Actual rates, terms, and loan amounts vary and depend on market conditions, lender, and creditworthiness.

² Underwriting should be largely automated but will need to include the collection and verification of income if not done through an IT channel.

Selection Criteria

Michigan Saves expects to award a contract to a firm that proposes the best approach to the work. The vendor should recommend a specific approach completing the SRLP scope of work as well as the servicing software. Michigan Saves does not have a specific software preference but prioritizes solutions that complement our existing platforms with minimal operational impact.

Applicants should have:

- Experience originating and servicing loans
- Credit bureau credentials
- Means to automatically verify income
- SOC I and SOC II compliance, with the latest audit performed within the past year and audit reports easily available
- Compliance with all state and federal regulations, including but not limited to banking laws, anti-money-laundering regulations, and Know Your Customer requirements,
- Disaster recovery and business continuity plans
- Transaction tracking and reporting
- Appropriate insurance coverage
- Defined service-level agreements

Submission Requirements

To respond to this RFP, please submit a narrative that:

- Provides background on experience, including length of time in business and core competencies
- Demonstrates understanding of the services sought in this RFP and articulates a proposed approach to the work
- Identifies your and/or your organization's relevant past work and capacity as well as expertise of proposed staff in a manner responsive to the scope of work and the selection criteria
- Description of past work originating and servicing loans with the following information:
 - Client name
 - Dates of service
 - Summary of related services provided
- Provides contact information from three or more current or recent clients and/or projects related to relational database management systems (name, organization, email, and phone number)
- Includes a budget for the scope of work proposed
- Includes an approximate timeframe and implementation schedule for work proposed
- Includes bios and resumes for the project team or person, focusing on years of relevant experience

- Assures that providing services to Michigan Saves under this RFP does not constitute a conflict of interest for the firm or Michigan Saves
- Provides completed Michigan Saves diverse vendor form (Appendix A)

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.

Timeline

Please submit responses via email to Kait Wyckoff at kwyckoff@michigansaves.org. The deadline for responses is 5:00 PM EST on March 1, 2024. If applicants have any questions in advance of the proposal deadline, please email Kait no later than 5:00 PM EST on February 23, 2024.

After reviewing the responses, Michigan Saves may interview one or more respondents and engage in negotiations regarding the scope of work, roles, and other details to award a contract by April 2024.

Appendix A: Michigan Saves Diverse Vendor and Partner Form



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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?¹

¹ 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: _____

Appendix B: Tier 2 Program and Underwriting Criteria

Loan Product Details	Structure/Minimum Standards
Eligible borrowers	<ul style="list-style-type: none"> Property owner (holds the mortgage or deed to property) Family member of owner that occupies the home
Eligible properties	Single-family (1–4 unit) homes
Eligible improvements	Septic replacements for failed systems
Loan type	Unsecured personal loan
Loan amount	\$1,000–\$15,000
Term	<ul style="list-style-type: none"> \$1,000–\$1,999.99—12 months \$2,000–\$2,999.99—24 months \$3,000–\$3,999.99—36 months \$4,000–\$4,999.99—48 months \$5,000–\$15,000—120 months Borrowers may select shorter term
Interest rate	1.00% APR, fixed rate with no prepayment penalty
Billing structure	The vendor will service the loan and collect repayments. Auto pay or direct withdrawal will be strongly encouraged.
Underwriting	
Credit score	Not considered
Bankruptcy	No bankruptcies in the last 12 months. Applies to all chapters. The 12-month period begins from the date of discharge.
Foreclosure	None in the last 12 months
Repossession	None in the last 12 months
Judgements and tax liens	None in the last 12 months, must be paid or in repayment
Debt-to-income	50% or less, excluding student loans in deferment
Unpaid collection accounts and open charge offs	Applies to non-medical collections: <ul style="list-style-type: none"> No delinquencies > 60 days When there is a charge off within the last 12 months, may have no delinquencies > 31 days
Income qualification	<ul style="list-style-type: none"> Household income less than 200% federal poverty level Disposable income of at least \$500 per month (after mortgage and other debt service)
Income verification	Required—Michigan Saves is open to discussing the vendor’s method to automatically verify income during the application.