

Request for Action
by the
Board of Commissioners
Approval of Engagement of Document Custodian

1. Summary of Request

This Request for Action seeks approval to enter into a contract with a subsidiary of U.S. Bancorp (“U.S. Bank”) to provide document custodian services for the certification of pools and loans. U.S. Bank would be engaged by staff primarily for the certification of loans to be pooled as part of the Ginnie Mae (“GNMA”) Mortgage-Backed Securities (“MBS”) Program and for the certification of loans to be sold to Fannie Mae (“FNMA”) and Freddie Mac (“FHLMC”). U.S. Bank would hold in custody all documents for related loans for the duration of the engagement.

2. Discussion

The Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) currently securitizes all government-insured mortgage production through GNMA’s MBS Program and finances all conventional production through sale to FNMA. Additionally, RIHousing is undergoing the onboarding process to begin partnering with FHLMC. Each of these three investors requires that business partners wishing to pool and/or sell loans engage the services of an approved document custodian. A document custodian certifies to the investor that a pool or loan meets all criteria for pooling and/or sale, and holds the related documents on behalf of the investor.

Since 2009, the Bank of New York Mellon Trust (“BNYM”) has served as RIHousing’s designated document custodian for RIHousing’s active lines of business with GNMA and FNMA. In March 2020, RIHousing was notified by GNMA that BNYM was no longer an approved Ginnie Mae document custodian, and that institutions utilizing the document custodian services of BNYM would need to cease doing GNMA-related business with BNYM by October 1, 2020. As a result, RIHousing undertook a search for a new document custodian. Staff made the business decision to move all FNMA business line activity away from BNYM as well.

In April 2020, RIHousing issued an RFP and posted it to the RIHousing website. Three vendors submitted proposals in response to the RFP and two were invited to participate in interviews and demonstrate their systems and reporting capabilities. A selection committee comprised of senior staff and representatives from the Finance and Loan Servicing areas reviewed the proposals, participated in interviews and evaluated the submissions according to the RFP criteria. Factors taken into consideration included cost of services, each firm’s capacity to support the required services, previous experience, and references. Attachment B summarizes the evaluation and

scoring of the proposals. Based on this evaluation and scoring, U.S. Bank was the unanimous choice of the committee.

U.S. Bank is recognized as one of the premier document custody service providers in the country with more than 600 active custodial customers and safekeeping more than 11.7 million loan files. The cost structure and fee estimates presented by U.S. Bank were overall the lowest presented by any of the respondents and consistent with our existing provider. Based on the proposal, system and reporting demonstration, proposed fee structure and client references, the selection committee believes that the bank has the most qualifying experience and expertise to successfully undertake providing document custodian services for RIHousing.

Upon Board of Commissioner approval to enter into a contract with U.S. Bank, RIHousing will begin phasing out its existing relationship with BNYM and onboarding with U.S. Bank, within GNMA's required time frame for transitioning to a new, approved service provider.

3. Recommendation

The attached resolution authorizing RIHousing to engage U.S. Bank is recommended for approval.

4. Attachments

- A. Resolution of the Board of Commissioners of RIHousing
- B. Scoring Matrix

Attachment A

Resolution of the Board of Commissioners of Rhode Island Housing and Mortgage Finance Corporation

Whereas: Rhode Island Housing and Mortgage Finance Corporation (“RIHousing”) is required by government-sponsored enterprises Ginnie Mae, Fannie Mae, and Freddie Mac (together, the “GSEs”) to engage an eligible provider of document custodian services; and

Whereas: RIHousing issued a Request for Proposals to seek a vendor to provide document custodian services in keeping with the requirements of the GSEs (the “RFP”); and

Whereas: staff reviewed the proposals and determined that U.S. Bancorp, having submitted the highest-scoring proposal under the criteria set forth in the RFP, would best meet the needs of RIHousing.

NOW, THEREFORE, IT IS HEREBY:

Resolved: that RIHousing be, and hereby is, authorized to enter a contract with U.S. Bancorp, or a subsidiary thereof, to provide document custodian services to facilitate RIHousing’s pooling and selling loans in connection with programs of the GSEs; and

Resolved: that the Executive Director, Chief Financial Officer, and Director of Finance, each acting singly be, and hereby is, authorized and empowered to take any and all actions necessary or desirable to carry out the foregoing resolutions, including without limitation the authority to negotiate the terms and fees of the engagement as he or she may determine are in the best interests of RIHousing, and to execute any and all agreements or documents as he or she deems necessary to carry out the foregoing.