

Pennsylvania Housing Finance Agency

Standby Bond Purchase Agreement Solicitation

Facility:

The Pennsylvania Housing Finance Agency ("PHFA") is seeking indications of interest from qualified entities to provide Standby Bond Purchase Agreements or similar facilities (the "Liquidity Facility"), which will offer liquidity support for the purchase of PHFA's variable rate bonds ("VRDOs").

PHFA is seeking \$24.44 million of total commitment for VRDOs in Series 2018-127.

In the Alternative:

PHFA will consider proposals from qualified entities seeking direct placement of the VRDOs or offering to provide a loan equal to the amount of such VRDOs. The terms for such agreements must be consistent with the general terms set forth herein, unless PHFA, in its discretion determines otherwise. Pricing for such agreements may be negotiated separately to accommodate differentials in fees and costs related to these direct creditor arrangements.

Issuer:

The Pennsylvania Housing Finance Agency (the "Agency" or "PHFA") is a body corporate and politic constituting a public corporation and government instrumentality of the Commonwealth of Pennsylvania. Please find information about the Agency and its other financing programs available at www.phfa.org.

Beneficiary:

U.S. Bank, National Association, as Trustee and Tender Agent, for the benefit of the Bondholders or its successors and assigns serves as the Trustee for the Single Family Mortgage Revenue Bond Indenture.

Other Parties:

Various dealers serve as remarketing agents of the VRDOs from time to time and PHFA reserves the right to select such remarketing agents. (Please advise of any conflict of interest your institution may have with any particular dealers at the time of response.)

Proposed Facility Provider:

A commercial bank, a Government Sponsored Entity or other liquidity provider to be determined (the "Bank").

Liquidity Facility Term:

The Agency is soliciting Liquidity Facility proposals with terms of three, five, seven and ten year terms, with five-year term outs. Other term-out periods will not be considered for participation in the Single Family Mortgage Revenue Bond Program. The Agency seeks an option which, on a certain date prior to expiration, will automatically extend the facility commitment for an additional period of time of at least 364 days, unless the Bank notifies the Agency that the extension will not occur. The Agency is seeking to have the right to terminate any

Liquidity Facility at any time upon thirty (30) days notice to the Bank WITHOUT any penalty or payment of any upfront minimum of fee or termination expense; its evaluation of factors in selecting the Bank will take this into account.

The Bonds:

The VRDOs are the Agency's Single Family Mortgage Revenue Bonds, issued under the Indenture of Trust dated as of April 1, 1982, as amended. PHFA VRDOs generally reset weekly, with the possibility of conversion to bear interest in another period mode, which necessitates the use of Liquidity Facilities. Interest on the Bonds may be federally taxable or tax exempt.

Security:

Single Family Mortgage Revenue Bonds

The Bonds are **general obligations** of the Agency, issued as parity debt with and subject to the provisions of resolutions heretofore and hereafter adopted pledging particular assets or revenues of the Agency to the owners of other bonds or notes of the Agency. PHFA's current general obligation Issuer Rating is Aa2/AA-.

The Agency's obligation under the Standby Bond Purchase Agreement, including the provisions relating to any term-out, will also be a general obligation of the Agency, but **will not** be pledged under the Single Family Mortgage Revenue Bond Indenture. Hedge instruments relating to Agency VRDOs under the Indenture are not pledged under its Single Family Mortgage Revenue Bond Indenture and these instruments are not pledged as security, nor will they be included in reports for any Liquidity Provider (except for general annual reporting).

Recent financial information on the Agency including the Agency's most recent audited financial statement and detailed disclosure reports on the Single Family Mortgage Revenue Bond Indenture may be obtained by accessing PHIFA's web site at www.phfa.org.

Fees:

Please quote fees for the Liquidity Facility as a per annum fee in basis points and assumed to be paid semiannually in arrears (October 1 and April 1) based on actual days elapsed and a 365/366 day year.

In addition, please provide a not-to-exceed estimate of all out-of-pocket and legal expenses related to the delivery of the Liquidity Facility expected to be reimbursed by the Agency. (Please see Exhibit A).

Interest Rates:

Please indicate the rate index or indices to be used for purposes of determining the interest rate on Bonds purchased by the Bank under the Liquidity Facility. In addition, please describe the method used in

determining Bank Bond interest. All interest charge calculations should be based on a 365/366 day year.

Term Out Provisions:

Please indicate the specific term-out provisions for the proposed Liquidity Facility. The Agency requires a minimum of five years for any term-out for its Single Family Mortgage Revenue Bonds in accordance with other creditor arrangements in this portfolio. The term-out provisions will be factored into the selection process.

Conditions to Funding:

Any conditions to the Bank's obligation to fund under the Liquidity Facility should be specified.

Conditions Precedent:

Any conditions precedent to entering into the Liquidity Facility should be specified.

Bank Information; Other Documentation:

If selected, the Agency will need information relating to the Bank for inclusion in its offering documents and official statements, together with certifications from the Bank and opinions from Bank's counsel in a form acceptable to the Agency, its bond counsel and its underwriters as to the adequacy of disclosure relating to the Bank and relating to certain tax matters. Please provide the Bank's long-term and short-term credit ratings over the past two years, including any dates when changes occurred. If selected, the Agency will need legal opinions relating to the enforceability of the Liquidity Facility from U.S. counsel and also from foreign counsel in the case of foreign banks.

Certain Bank Covenants:

If selected, the Agency will evaluate, among other things, the capitalization levels, the ratings and outlooks associated with the credit of the proposed Liquidity Facility. In addition to using such information in its determination, the Agency may require that any selected Liquidity Provider agree to pricing concessions and other remedies in the event the Bank is rated below the Agency or in the event the Bank ratings are downgraded.

Certain Mandatory and Favored Requirements:

PHFA will be governed by Pennsylvania law for purposes of venue, jurisdiction and PHFA authority.

PHFA does not agree to indemnify any Liquidity Provider. No officer, director, member of the Agency shall be personally responsible for any matter relating to the issuance of any Facility (or pertaining to the underlying Bonds or Agency indebtedness.)

It is imperative that all providers define the operative provisions they will require prior to final pricing submission so PHFA can determine acceptability and consider the provisions in its decision.

In making its selection of Liquidity Providers, PHFA will evaluate the additional costs and burdens associated with extra levels of reporting and due diligence and onerous contract provisions (such as most favored nations provisions). Any premium adjustments in pricing relating to rating downgrades should be clearly articulated. (The Agency may seek to impose a commensurate adjustment in the Facility Fee in the event of a Bank downgrade.)

Bank Counsel:

Please provide us with your choice as Bank counsel (firm and lawyer) and indicate maximum counsel fee.

Submission of Proposals:

Please deliver Exhibit A (and any other information that may be helpful in the decision process) to:

Jordan Laird
Director of Finance
PHFA
211 North Front Street
Harrisburg, PA 17101
jlaird@phfa.org

Proposals are due by 3:00 PM ET on Friday July 13th, 2018. Email responses are required. Do not send physical proposals.

It may be necessary for the Agency to request additional information from one or more banks and the Agency reserves the right to do so. The Agency reserves the right to reject any and all responses, to waive any minor informality in a response, to request clarification of information from any institution and to effect any agreement deemed by the Agency to be in its best interest with one or more banks. All responses and their contents will become the property of the Agency.

The Agency will not reimburse any party for any costs associated with the preparation or submittal of any response or for any travel and/or per diem incurred in any presentations of such responses.

Nothing in this Request for Proposal, the responses, or in the Agency's acceptance of any response in whole or in part shall oblige the Agency to complete negotiations with any party. **The Agency will not provide an engagement letter to any Bank.** The Agency reserves the right to end, in its sole discretion, negotiations with any entity at any time up to the consummation of the transactions arising from this Request for Proposal without cost of any kind.

Schedule:

The Agency expects to respond to the proposals on or before July 20th, 2018.

EXHIBIT A

Name of Bank:

Maximum Commitment Amount at proposed pricing level: \$ _____ million

Credit Ratings and outlooks *Moody's (long/short) and S&P (long/short)*

At present: Moody's (____ / ____) and S&P (_____ / ____)
As of 1/1/17: Moody's (____ / ____) and S&P (_____ / ____)
As of 1/1/16: Moody's (____ / ____) and S&P (_____ / ____)

Liquidity Pricing (in basis points per annum, payable semiannually in arrears). **Additional fees, if any, should be noted separately and if not explicitly included, the Agency will not consider.**

Potential liquidity facility providers need not provide a fee quote for every category.

Term	Annual Fee
Three years	<u>bps</u>
Five years	<u>bps</u>
Seven years	<u>bps</u>
Ten years	<u>bps</u>
Other	bps

No up-front commitment fee shall be paid by PHFA.

Draw fees shall be capped at \$250 per draw.

Amendment fees shall be capped at \$2,500 per amendment.

Legal fees for Bank counsel will be capped, depending on the transaction structure.

Legal Fees and Expenses
Initial issue capped at _____
Subsequent issue maximum _____

Legal Counsel: _____
Attorney Name _____
Firm _____
Address _____
City/State _____
Telephone _____
Fax _____
Email _____

B. Proposed Term-Out Provisions

C. Interest Rate Charged on Purchased Bonds

D. Other Conditions to Funding

E. Material Compliance and Covenants required by the Bank

