CITY OF SAN ANTONIO

P.O. Box 839966
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ADDENDUM I

SUBJECT: Financial Institutions to Participate in a Loan Loss Reserve Program Request for Proposals, (RFP 11-028), Scheduled to Open: February 4, 2011; Date of Issue: December 30, 2010

FROM: Denise D. Gallegos, C.P.M., CPPB
Purchasing & Contract Administrator

DATE: January 20, 2011

THIS NOTICE SHALL SERVE AS ADDENDUM NO. I - TO THE ABOVE REFERENCED REQUEST FOR PROPOSALS

THE ABOVE MENTIONED REQUEST FOR PROPOSAL IS HEREBY AMENDED AS FOLLOWS:

1. Add: Exhibit G – "Workflow - Better Buildings Residential Program Design", is posted as a separate document.
2. Add: Exhibit H – "Better Buildings Pre-Submittal Conference PowerPoint", is posted as a separate document.

QUESTIONS SUBMITTED IN ACCORDANCE WITH SECTION VI., PRE-SUBMITTAL CONFERENCE:

On January 12, 2011, the City of San Antonio hosted a Pre-Submittal Conference to provide information and clarification for the Financial Institutions to Participate in a Loan Loss Reserve Program Request for Proposals. Below is a list of questions that were submitted at the pre-submittal conference and the Small Business Economic Development Advocacy (SBEDA) presentation. The City's official response to questions asked is as follows:

Question 1: What are you referring to proof of insurability?
Response: Please see Exhibit B, Insurance Requirements located on page 59 of the RFP document.

Question 2: Why is insurance required for a financial institution?
Response: Commercial crime coverage insurance is required for financial institutions that are interested in participating in the Loan Loss Reserve program, since the insurance coverage helps to ensure that there is no misappropriation of funds performed from individuals when the financial institution draws on funds from the reserve account in the event of loan default. The Agreement between the financial institution and the City of San Antonio would outline the managing of the loan loss reserve to prevent any mismanagement of the funds. Also approval to draw on the funds would be requested from the financial institution to the City of San Antonio and reporting of beginning account balances and ending account balances would be reported to the City of San Antonio to ensure compliance is performed.

Question 3: What is going on with the other six (6) million dollars?
Response: These other funds are allocated toward program initiatives in support of this program.

Question 4: What other cities are participating in the grant program?
Response: This website link offers additional information to the other cities in the Better Buildings program, http://www.eere.energy.gov/betterbuildings/.

Question 5: What is the LRF (Loan Reserve Fund) set up to cover?
Response: The LRF is established to cover a risk sharing (percent of coverage is designated by an Agreement between the financial institution and the City of San Antonio) amount between the financial institution and the City of San Antonio. In the event of default, the security amount paid to the financial institution will be on a per loan basis.

Question 6: Is the risk sharing level a part of the proposal?
Response: If the financial institution provides a risk sharing level percentage, this will be a good determining factor to obtain the financial institution's interest in participating in this program and to obtain further knowledge of their credit risk level.

Question 7: Regarding the escrow account how is the dollar amount determined?
Response: The escrow amount allocated per financial institution will be determined based on how many financial institutions will be selected to participate in the program; thus, the funds will be allocated accordingly.

Question 8: With the allocation of the escrow, can funds be reprogrammed based on the financial institution's loan production?
Response: Yes, in reviewing month-end reports on loan closings, the City of San Antonio will further determine if loan production goals are being met and if is determined that the goals are not being reached, funds will be reprogrammed to ensure the program's success.

Question 9: How often is reporting required?
Response: The City of San Antonio will request that monthly reporting be provided, which is usually a standard practice in the financial industry.

Question 10: When are monthly reports required? 10th of each month?
Response: The date can be established in the agreement between the financial institution and the City of San Antonio taking into account the best interest of all parties.

Question 11: How does a LRF relate to a home equity loan?
Response: Home Equity loans will not be acceptable for this particular loan program.

Question 12: Will these loans later be sold?
Response: It is anticipated that the loans are not to be sold to a secondary market, but rather maintained in a loan portfolio by the originator due to the security provided by the City of San Antonio on the loan portfolio.

Question 13: Is a first lien coverage loan considered within the program?
Response: This is dependent on the type of product provided by the financial institution. The loans within this program may include an unsecured and a secured loan product.

Question 14: CPS (City Public Service Energy) is the gate keeper they have all the listings for banks and contractors. Do the banks rely on CPS to obtain completion of the job?
Response: CPS Energy provides oversight and guidance in ensuring that eligible project measures are implemented and perform a post-inspection of the completion of the work installed.

Question 15: How long does it take to do a residential audit?
Response: This process should not exceed one work week.

Question 16: What is the service area for this program?
Response: Any single family owner occupied residence within the CPS service area.

QUESTIONS SUBMITTED IN ACCORDANCE WITH SECTION X., RESTRICTIONS OF COMMUNICATION:

Question 17: Please clarify if the residential program is for owner occupied 1-4 unit properties. The language suggests this, but it reads like the program is for single family properties only.

Response: The residential program is for single family properties only.

Question 18: There was mention of a commercial retrofit program of 695 loan opportunities. I have two questions. I want to clarify whether or not there is an LRF for the commercial loans. If not and if we are only interested in the commercial loans, do we need to go through the application process for the Loan Loss Reserve Program to originate these loans only? Also, if we only originate commercial loans, do we have to comply with the monthly reporting, etc.?

Response: There is not a LRF for commercial loans. If you are interested in financing commercial loans, you do not need to go through the application process for the Loan Loss Reserve Program. In choosing to finance commercial loans, you will not need to comply with the monthly reporting to the City of San Antonio, since the City of San Antonio will not provide a Loan Loss Reserve Fund as additional security.

Question 19: How much control do we have over the underwriting criteria? For example, we would prefer not to make a loan to a borrower that has ever had a foreclosure or repossession, while the guide references a minimum of 7 years from filing with re-established credit since foreclosure to be sufficient.

Response: Since the lender owns the loan portfolio, they would establish the underwriting criteria according to their credit standards. If the lender would prefer not to make a loan to a borrower that has reported a foreclosure or repossession that will be acceptable if this is part of their underwriting practice.

Question 20: I like the idea of having a 45% DTI (debt to income) ratio; however would the new debt be included or excluded if the energy audit shows a net $0 effect on the borrowers' bottom line due to the energy savings?

Response: The loan whether secured or unsecured is an additional debt and should be included in the underwriting process to determine the borrower's repayment capacity.

Question 21: Why are the funds to be placed in a non-interest bearing account?

Response: As advised by the Department of Energy, "non-state entities are responsible for paying interest-on funds that have been drawn down, but not yet expended."

Question 22: I don't think banks/credit unions should receive a LRF (Loss Reserve Fund) if they are originating simple home equity refinances since they are not "green loans" per se. You could technically do anything with the equity.

Response: In order to qualify to be a participant in this program, the lender should establish a product specifically for energy efficiency/renewable energy.

Question 23: What are the most important factors for your decision on a lender? We are creating a fund specifically for this program, so we do not have any financial history as a firm for example.

Response: The evaluation criteria section of the RFP outlines the criteria evaluated by the selection committee to choose a lender for this program. The selection committee will choose the lender that will best fit the needs of the program goals.

Question 24: It appears from the RFP, that we would need to participate in the Loan Loss Reserve Program in order to be a participant in this program. We are not interested in participating in a Loan Loss Reserve. We are confident in our credit underwriting and willing to take on all of the risk of these loans. Does that preclude us from participating as a supporter of these improvements? If that is correct, I apologize that I did not realize this from our earlier communications. If participation in the Loan Loss Reserve is not required, is there some other documentation that we would need to complete outlining our loan products and credit underwriting?

Response: If you choose to not participate in the Loan Loss Reserve Program, a financial institution may still be listed as one of the secondary financial institutions who will provide financing to eligible residential homeowners within the Better Buildings Program. Independent from the RFP, it is encouraged that the financial institution submit a Letter of Interest in support of the Better Buildings Program to the City of San Antonio along with a draft term sheet of the loan product(s) they anticipate providing to residential homeowners.

****THIS ADDENDUM MUST BE SIGNED AND RETURNED WITH THE RFP PACKAGE****

Denise D. Gallegos

Denise D. Gallegos, C.P.M., CPPB
Purchasing & Contract Administrator
Purchasing & General Services Department

Date ______________________________

Company Name ______________________________

Address ______________________________

City/State/Zip Code ______________________________

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Signature