

RFP # 006

QUESTIONS AND ANSWERS (Q&A)

Updated 11/21/2023

LADF JEDI Zone Microloan Program Support

Question	Answer
<p>10/25/2023</p>	
<p>Q1: In the RFP it states that the loans have zero fees but also are "Fixed at 1% plus third-party servicing fee." Is it possible for this program to run at zero percent interest?</p>	<p>LADF Board has approved offering the loans at a fixed 1% interest rate to be paid to LADF. Any additional fees or interest charges on the loans would go to the servicer to cover their underwriting and administrative costs.</p> <p>LADF's goal is to offer the lowest cost loans possible. Candidate's total fees and annual interest over a 5 year term will be calculated to determine the cost of a loan administered by that candidate.</p>
<p>11/17/2023</p>	
<p>Q2: Term is Jan 2024 to 2030 and funding is \$1million – do you anticipate having more funds put into this and when would that be determined?</p>	<p>This is a pilot program. There is a possibility that we will add additional funds later. The decision to add additional funds or not would be made after the fund has been operating long enough for us to determine its outcomes.</p>
<p>Q3: Overall it appears the contractor would be paid for the service based upon the budget submitted with the proposal (section 2.5) – could you clarify the details regarding job classifications and fully burdened costs or cost per loan, execution of services?</p>	<p>The contractor would determine its fees as it sees fit. We expect a flat fee for providing the scope of work outlined in this RFP. Fees will be one of the determining factors when choosing a contractor.</p>
<p>Q4: Scope of Work notates Loan Servicing services: annual tax documents – is this something that is required by the contractor to gather from every small business client and would this be a reporting requirement for each loan annually?</p>	<p>Yes. We expect the loan administrator to gather tax documents from the borrowers. The loan documents would require the borrowers to provide tax documents.</p>

<p>Q5: The Scope of Work notates "gather borrower and guarantor compliance docs including annual financial statements, tax returns and semiannual income statements"? Is this a requirement for reporting to furnish these or request them from the borrower?</p>	<p>We expect the loan administrator to gather all of the borrower compliance material. The loan documents would require the borrower to provide these documents.</p>
<p>Q6: What format and information would be required for reporting on a monthly, quarterly or semiannually basis and how is it submitted? Is there an online portal or is it done paper?</p>	<p>LADF expects to work with the loan administrator to develop the format for the reporting. Information required may include (but is not limited to) basic loan portfolio data points, borrower criteria, borrower uses of loan proceeds, and public benefit measures. We will establish a secure cloud server for data management.</p>
<p>Q7: The RFP notates "identify and in consultation with LADF staff mitigate potential risks related to UW and servicing" –could you provide more clarification on what this means? – Is the contractor able to follow their established guidelines or are they prescribed by the LADF? What reporting on the quality of loan portfolio is required? – format, data and how it is submitted, and how often?</p>	<p>LADF would work with the loan administrator to establish guidelines. We would expect the loan administrator to monitor loan performance and notify LADF of underperforming loans or borrowers with financial difficulties. We would work with the consultant to find ways to mitigate risks.</p>
<p>Q8: Summary notes rates under favorable terms and rates than prevailing market - later on in the document it says 1% so could you please clarify?</p>	<p>LADF will charge and collect 1%. The actual interest rate charged to borrowers would be the combination of LADF's 1% interest plus the consultant's fee. Our intent is to offer a loan product that is at rates and terms lower than those offered by other lending sources.</p>
<p>Q9: Eligibility criteria – what is the definition of reasonable credit history? Would proof be required and documented that they don't qualify for other financing?</p>	<p>LADF and the consultant will collaborate to determine these criteria.</p>
<p>Q10: Is it all driven by census tracts or zip codes?</p>	<p>Census tract</p>
<p>Q11: Is the lending org/contractor able to charge an admin fee? Or is this the servicing fee listed by rate?</p>	<p>LADF will not charge an upfront fee. The contractor may structure their compensation as an upfront fee (to be added to the loan principal), an increase of rate above LADF's 1%, or a combination</p>

	thereof. LADF will consider the all-in fees of each contractor in making its choice.
Q12: Collateral – are UCCs and titles required for security and what liquidation would be required for servicing as the lending org/contractor?	Whether or not collateral will be required may vary by loan size and use of funds. This is something that will be determined between the contractor and LADF.
Q13: Can the lending org/contractor use the state guarantees and charge those fees?	As the contractor will not be providing capital for the fund, I am not sure why they would use state guarantees. LADF is not requiring loan loss reserves or any state guarantees in an attempt to keep cost to the borrower low.
Q14: What documentation is required for the public benefit requirement and how often would it have to be reported and in what format?	The public benefit would be determined at close based on the borrower's activities. We would only require further documentation if the borrower significantly changes its business.
Q15: Approval process – Please provide more clarification - is lending org/contractor able to approve all loans or does the LADF have to approve as well and how often would this occur? Or, is this suggesting only if there is an exception outside of defined criteria that LADF would be involved in approval of that exception?	LADF would be involved in approval only if it is an exception outside of defined criteria.
Q16: Loan Docs- does lender retain these or does LADF need copies of this reported for each loan?	This is something to be determined by LADF and the contractor. We would expect that the loan documents could be uploaded to the secure cloud server established for that purpose.
Q17: Are you considering proposals that do not directly provide all elements listed in the Scope of Work as a direct service?	No. We need one contractor to provide all of the services listed in the Scope of Works. If necessary the contractor may subcontract out some of the services. Although the subcontract must be disclosed in the response to the RFP, the contractor's correspondence and workflow with the subcontractor may be performed separate from LADF.
Q18: Is there a plan to expand the current approved JEDI Zones?	The JEDI Zones are determined by the City of Los Angeles. The City may be considering adding to the JEDI Zones, but LADF has no control or input in that decision making.

Q19: Is there an opportunity to expand if there is not enough demand within the listed JEDI Zones?

At this time, LADF is focusing its efforts on the JEDI Zones. If it is later determined that there is not sufficient demand in the JEDI Zones, we may consider expanding to other defined areas. In order to track the impacts of our program we wish to concentrate our loans in defined areas so it is unlikely it would ever be a City wide program. Additionally, because LADF is a certified CDE under the New Markets Tax Credit program, we aim to concentrate our resources in severely distressed communities within the City.