

## QUESTIONS AND ANSWERS RELATED TO THE IOWA FINANCE AUTHORITY TRUST SERVICES RFP

- 1) What has been the frequency (if any) of intra-period redemptions that the Authority may request?

*IFA has flexibility concerning the frequency of redemptions under the bond indenture. During periods of high prepayments, Single Family bond redemptions are scheduled monthly. Currently, IFA is not scheduling monthly bond redemptions. The frequency of Single Family bond redemptions will be no less than semi-annually on the January 1 and July 1 debt service dates.*

*IFA and our financial advisor, cfX Incorporated, calculate the redemption amounts, call schedules, and sinking fund amounts and provide redemption instructions to the Trustee.*

- 2) How far in advance does the Authority provide direction packages for the processing of regular and intra-period redemptions?

*The Authority provides redemption instructions to the Trustee approximately 35 days prior to the scheduled call date. The Indenture requires a 30-day call notice to fixed rate bond investors.*

- 3) In addition to money market funds, what external investments, (GICs/Repo/LGIP/FDA) if any, are held under the Indentures?

*IFA currently does not have any Guaranteed Investment Contracts or Repurchase Agreements under the Indentures. Investments currently held under the Indentures are Mortgage-Backed Securities (program related asset for Single Family), US Treasury Bonds and US Agency Bonds.*

- 4) Are any of the accounts under the management of an external investment manager? If yes, what is the approximate volume of trades processed on a monthly basis?

*No, IFA uses internal staff to purchase or sell investments held under the Indenture or in custody accounts.*

- 5) Are there any standing memos that the Authority utilizes with the current Trustee that direct for the opening of additional accounts which provide for the operational administration of the accounts.

*There are no standing memos that the Authority utilizes. New accounts are set up as outlined in the Series Resolution related to a new debt issuance.*

- 6) Can you describe what reporting the current Trustee is providing/certifying related to the review of loans and securities/certificates for accuracy? (Loans and MBS section (e) page 9)

*Iowa Finance Authority reconciles all Master Servicer documentation on the MBS. The documentation is forwarded to the Trustee with settlement instructions from IFA. The Trustee is expected to execute the instructions and settle securities into the correct trust account and*

*transfer the funds to the correct accounts. IFA does not expect the trustee to certify the MBS. IFA does expect the trustee to review for valid CUSIPS and accurate face value amounts.*

- 7) Are there any whole loan Series of Bonds in either the SFMB or SFMRB Indentures?

*IFA does not have any whole loans under Single Family indentures.*

- 8) Are there any administrative duties related to the loans under the SRF Indentures?

*The SRF Loan P&I are collected and serviced by the Iowa Finance Authority. SRF loans to municipalities pay interest semi-annually and principal annually. The SRF loans are collected via ACH through a separate commercial bank. IFA then transfers funds from our commercial bank to the Equity Fund of the SRF Indenture held at the Trustee. The Trustee applies the aggregate Clean Water loan receipts to a SRF Clean Water Revenue Principal account and SRF Clean Water Revenue Interest account of the Indenture. The Trustee also applies the aggregate Drinking Water loan receipts to a SRF Drinking Water Revenue Principal account and SRF Drinking Water Revenue Interest account of the Indenture.*

- 9) Is there a requirement for the Authority to complete future RFPs for Trust services after this current one has been completed? If yes, how often?

*IFA has discretion to determine the appropriate contract length for trust services and has not determined when a future RFP would be issued at this time.*

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1. Are we the servicing agent for the SRF loans?

*No, the SRF Loan P&I are collected and serviced by the Iowa Finance Authority.*

2. Do SRF loan disbursements/payments flow through the trustee?

*SRF loans to municipalities pay interest semi-annually and principal annually. The SRF loans receipts are serviced by Iowa Finance Authority and collected via ACH through our commercial bank. IFA then electronically transfers funds from our commercial bank to the Equity Fund of the SRF Indenture held at the Trustee. The Trustee applies the aggregate Clean Water loan receipts to a SRF Clean Water Revenue Principal account and SRF Clean Water Revenue Interest account of the Indenture. The Trustee also applies the aggregate Drinking Water loan receipts to a SRF Drinking Water Revenue Principal account and SRF Drinking Water Revenue Interest account of the Indenture.*

*SRF loan disbursements occur once per week. IFA transfers funds from the Equity Fund of the SRF Indenture, held at the Trustee, to our commercial bank on a weekly basis. The commercial bank subsequently disburses funds to the municipalities via ACH. The Trustee will not disburse funds directly to SRF borrowers.*

3. Does the trustee hold funds and make payments as directed by the IFA?

*Yes*

4. Are separate trust accounts maintained by the trustee for each SRF loan?

*SRF loan assets are held collectively in the Equity Fund under the SRF Indenture. Each loan participant does not require an individual account.*

5. How do payments currently come into the trustee? ACH? Wire transfers? Checks?

*Payments are primarily received through electronic funds transfer (ACH and Fedwire).*

6. Is it anticipated that one trustee will be chosen to serve on both the Housing Programs and the SRF Program, or could two trustees be chosen?

*IFA's preference is to have one trustee service both the Housing and SRF programs.*

7. On your VRDO multi-family program, what is the basis for calculating the interest rate? LIBOR? P. 9, 2.1, Bonds: d.

*The bonds referenced on page 9 Section 2.1 (d) relate to Single Family Floating Rate Notes, and are not related to Multifamily. The index for IFA's Single Family 2021 Series E bonds is SIFMA and the index on IFA's Single Family 2022 Series E bonds is 70% SOFR.*

8. If you have any GIC's or Investment Agreements, would there be any collateral requirements? Would the trustee hold the collateral?

*IFA does not currently have any GIC's, investment agreements or repurchase agreements outstanding.*

9. Your Procurement Timetable outlines one month to convert two very large programs once the successful Firm is announced. Can this conversion date/time be extended to ensure a smooth conversion, transition and balancing of assets and bonds outstanding from the prior trustee? (DTC requires a 10 day prior notice of a change in trustee as well.) P. 4, 1.5 Procurement Timetable: Start date of Services.

*IFA would like the conversion to go smoothly so there can be some flexibility with the conversion date. Our preference is to have the conversion completed no later than May 15<sup>th</sup> since IFA's fiscal year end is 6/30.*

10. What duties are expected of the trustee to process derivative payments and receipts for each tax plan for the Authority's interest rate swaps and caps? P. 9, 2.1, Bonds: c.

*Monthly derivative invoices are received by IFA from our counterparties prior to the 1<sup>st</sup> of every month. IFA reconciles the invoices for accuracy and directs the Trustee through instruction to receive or pay the amounts due from the Revenue Fund of each applicable tax plan. The Trustee does not reconcile the monthly derivative invoices.*

11. Regarding the Housing warehouse account, is there a separate warehouse agreement? Does the trustee hold bond proceeds in a trustee/warehouse account until directed to move funds to IHFA? P. 9, 2.1, Loans and Mortgage-Backed Securities: c.

*The Warehouse Trustee Account is a sub-account that was setup under the Restricted Housing Fund of the Single Family 1991 Indenture, specifically for providing funds for the master servicer to purchase loans daily from Iowa participating lenders.*

*The Mortgage Warehouse Loan and Security Agreement is a two-party agreement between Iowa Finance Authority and our master servicer, Idaho Housing and Finance Association.*

*Any bond proceeds are held in an Acquisition Account and do not reside in the Warehouse Account. IFA directs the Trustee on a daily basis to transfer funds from the Warehouse Trustee Account to the master servicer for the daily warehouse loan purchases. Once the warehouse loans are pooled into Mortgage-Backed Securities, the servicer delivers the MBS to the Warehouse Account at the Trustee on a delivery vs free basis (DVF). The bond proceeds in the Acquisition Account then purchase the newly create MBS from the Warehouse Account.*

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1. Will IFA need access to any commercial banking services?

*IFA currently uses Wells Fargo Bank for its commercial banking services, but the Authority may choose to issue an RFP for banking services in the future.*

2. Do the VRDO bond issues have daily or weekly rate resets?

*All of IFA's VRDO bond issues have weekly rate resets except for one issue. The Single Family 2022 Series H variable rate bonds are remarketed daily.*

3. What is the frequency of MBS purchases in the Single Family Program?

*MBS settlements occur weekly under our Single Family program.*

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1. Does the Authority have a preference between a basis point fee or a flat fee with regard to the annual administration fee?

*IFA will evaluate both options and will decide over the long term which is the better fee option for IFA.*

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1. Page 3: Per Section 1.1, the Authority's 2022 audited financial statements, are there any investments within any of IFA's Master Trust Indentures that are investment agreements or Guaranteed Investment Contracts (GIC)? And if so, can IFA provide a total of investments per investment agreement or GIC provider and indicate in which bond series they relate?

*There are currently no investment agreements, repurchase agreements or GIC's in IFA's Master Trust Indentures.*

2. Page 9: Per Section 2.1, Bonds (b), can IFA provide an approximation of how many inter-period redemptions the Authority directs within the Single Family Mortgage Bonds per calendar year?

*During Calendar Year 2021, IFA scheduled 96 inter-period redemptions across all tax plans. These inter-period redemptions covered 10 months of this particular calendar year.*

*During Calendar Year 2022, IFA scheduled 84 inter-period redemptions across all tax plans. These inter-period redemptions covered 8 months of this particular calendar year.*

*As of the date of the Trustee RFP, IFA has scheduled no inter-period redemptions in Calendar Year 2023, due to rising interest rates.*

3. Page 9: Per Section 2.1, Bonds (d), for any IFA Floating Rate Note (FRN) or Variable Rate Demand Obligations (VRDO) bonds outstanding, do any currently utilize the London InterBank Offered Rate (LIBOR)? And if so, has an alternative benchmark rate been amended into IFA's governing documents?

*Yes, the variable interest rate on IFA's Multifamily 2011 B-1 bonds is 1 month LIBOR + 1.12%. This bond was a private placement. The IFA attorneys are currently reviewing the amending document and the replacement rate will be SOFR.*

4. Page 11: Per Section 2.5(b), Exhibit D, in reference to the "Number of Pools Outstanding" column (totaling 3,219), can IFA confirm that one pool equates to one CUSIP as it relates to the GNMA, FNMA and FHLMC Mortgage-backed securities (MBS)?

*Correct, each of the 3,219 MBS pools contains a separate, identifiable CUSIP.*

5. Page 12: Per Section 3.5, Exhibit C, specifically for the IFA custody/escrow accounts listed, is something other than a money market fund investment deposited to each account? And if so, what specifically is deposited to each account other than a money market fund investment?

*All deposits into IFA custody and escrow accounts are invested the same day into a money market investment earning a daily variable yield. There is no other automatic "deposit vehicle" that IFA is utilizing for custody and escrow account funds.*

*However, IFA does purchase marketable securities to hold as longer term investments for certain custody accounts. Marketable securities include US Treasury securities, US Agency Securities, municipal bonds, negotiable Certificates of Deposit and those transactions are settled on a Delivery vs. Payment basis (DVP) with the Trustee.*

6. Page 12: Per Section 3.5, Exhibit C, specifically for the IFA custody/escrow accounts listed, are there separate agreements authorizing the creation of these accounts other than the Master Trust Indentures?

*The assets within the custody accounts would be transferred to the selected trustee and IFA would enter into new agreements (if applicable) with the trustee.*

7. Page 12: Per Section 3.5, Exhibit C, for any of the outstanding IFA bond issues listed, are there any Non-DTC (Non FAST) bonds? And if so, which of the bonds are Non-DTC (Non FAST)?

*The Single Family 2021 Series E Mortgage Bonds for \$20 million was issued as a privately placed Floating Rate Note. The bonds are not assigned a CUSIP and are not registered DTC.*

*The SRF 2022 Series D Bonds were privately placed and were not assigned a CUSIP and are not registered with DTC.*

8. Page 12: Per Section 3.5, Exhibit C, for any of the outstanding IFA bond issues listed, are there any "whole loan" bond structures (versus MBS)? And if so, which of the bond series are whole loan?

*IFA's single family loan portfolio consists of 100% Mortgage-Backed Securities. There are no "whole loan" program assets within the two Single Family Indentures.*

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1) Please provide copies of the Master Indentures/General Resolutions.

2) Are issues at parity across programs?

*The Indentures for the single family, multifamily and SRF bonds are all over parity. Program loans and cash balances exceed liabilities.*

3) Are loans securitized or whole loans?

*The loans under IFA's two Single Family Indentures (1991 & 2009) are securitized and listed as Mortgage-Backed Securities on IFA's financial statements. IFA does not have any whole loans under Single Family indentures. All other IFA loans are non-securitized.*

4) What is the frequency of redemptions and who determines bond redemption amounts, maturities to call and sinking fund recalculations?

*IFA has flexibility concerning the frequency of redemptions under the bond indenture. During periods of high prepayments, Single Family bond redemptions are scheduled monthly. Currently, IFA is not scheduling monthly bond redemptions. The frequency of Single Family bond redemptions will be no less than semi-annually on the January 1 and July 1 debt service dates.*

*IFA and our financial advisor, cfX Incorporated, calculate the redemption amounts, call schedules, and sinking fund amounts and provide redemption instructions to the Trustee.*

5) Is it possible to provide the total and percentage breakdown of investable balances held with the trustee (i.e. money market funds, investment agreements, repurchase agreements and mortgage-backed securities or certificates)? If so, please include balances not governed by the bond documents.

<b>Financial Assets (book value) as of 12/31/22</b>					
		<u>Housing Agency</u>		<u>SRF</u>	
<b>Money Market Funds</b>					
Governed by Bond Documents	\$	207,987,337	15.99%	\$	270,232,565 58.71%
Not Governed by Bond Documents	\$	16,729,853	1.29%	\$	84,576,175 18.37%
Investment Agreements & Repurchase Agreements	\$	-	0.00%	\$	- 0.00%
<b>Investments - Marketable Securities</b>					
Governed by Bond Documents	\$	-	0.00%	\$	81,546,575 17.72%
Not Governed by Bond Documents	\$	-	0.00%	\$	23,931,250 5.20%
<b>Mortgage-Backed Securities</b>					
Governed by Bond Documents	\$	1,075,286,356	82.65%	\$	- 0.00%
Not Governed by Bond Documents	\$	962,223	0.07%	\$	- 0.00%
		<u>\$ 1,300,965,769</u>	100.00%	<u>\$ 460,286,565</u>	100.00%

6) Are there any ancillary contracts including investment agreements or repurchase agreements (other than the Iowa Finance Authority trust indentures/bond documents) under which the selected trustee will be expected to assume duties?

*IFA currently does not have any existing investment agreements, repurchase agreements, or guaranteed investment contracts outstanding.*

7) Please provide a listing of investment agreement providers and/or repurchase agreement providers. If any repurchase agreements identify the custodian to the collateral.

*IFA currently does not have any existing investment agreements or repurchase agreements outstanding.*

8) Is the Iowa Finance Authority willing to cover the cost of external counsel for the review of transaction documents for all new bond issues.

*IFA's preference is to have the Trustee to provide Internal Counsel to review any documents related to bond transactions. However, if external counsel is required IFA will cover up to \$2,500 of the cost.*

9) Relating to trust services for certain funds and accounts not pledged to the bondholders, under what document are the accounts established? Can you provide a brief description and purpose of the accounts? (RFP page #11, Section 2.5b).

*General Fund – Accounts for the administrative operations of IFA, receipts of various program fees, transfers to or from various bond accounts in accordance with resolution, and administrative expenses of the Authority.*

*Multifamily Escrow – Accounts for the monthly escrow proceeds collected by the Authority from IFA's various multifamily first mortgage loans. The loans are serviced by the Authority and include funds for the payments of project property taxes, insurance, replacement reserves and operating reserves.*

*SRF Clean Water Program – Accounts for the disbursement and repayment of SRF non-point source water loans and SRF Clean Water planning and design loans. The account also receives EPA capitalization grants.*

*SRF Clean Water Admin – Accounts for the collection of SRF loan initiation and servicing fees and EPA capitalization grants, and SRF related Clean Water administrative expenses of the Authority and Iowa Department of Natural Resources.*

*SRF Drinking Water Program - Accounts for the disbursement and repayment SRF Drinking Water planning and design loans. The account also receives EPA capitalization grants.*

*SRF Drinking Water Admin - Accounts for the collection of SRF loan initiation and servicing fees and EPA capitalization grants, and SRF related Drinking Water administrative expenses of the Authority and Iowa Department of Natural Resources.*

10) Relating to the SRF Bonds, are the loans held and tracked collectively in a particular SRF account or does each loan participant require an individual account?

*SRF loan assets are held collectively in the Equity Fund under the SRF Indenture. Each loan participant does not require an individual account.*

*The SRF Loan P&I are collected and serviced by the Iowa Finance Authority. Per the SRF Indenture documents, Clean Water loan repayments collected are remitted to a SRF Clean Water Revenue Principal*

*and SRF Clean Water Revenue Interest account held at the Trustee. Drinking Water loan repayments collected are remitted to a SRF Drinking Water Revenue Principal and SRF Drinking Water Revenue Interest account held at the Trustee.*

11) Relating to the SRF Bonds cashflows on the P&I collections for each loan – what is the frequency?

*SRF loans to municipalities pay interest semi-annually and principal annually. The SRF loans are serviced by Iowa Finance Authority and collected via ACH through our commercial bank. IFA then transfers funds from our commercial bank to the Equity Fund of the SRF Indenture held at the Trustee.*

12) What are the disbursement volumes related to the SRF bonds? (RFP page #11, Section 2.5a).

*SRF loan disbursements occur once per week. The approximate volume of SRF loan disbursements is \$25 million per month. IFA transfers funds from the Equity Fund of the SRF Indenture, held at the Trustee, to our commercial bank on a weekly basis. The commercial bank subsequently disburses funds to the municipalities via ACH. The Trustee will not disburse funds directly to SRF borrowers.*

*SRF bonds pay interest to investors semi-annually on February 1 and August 1. SRF bond principal is paid annually on August 1st.*

13) Relating to the SRF Bonds, are new loans being issued, if so, what is the frequency/approximate volume of new loan closings per month?

*New SRF loans are still being disbursed and will continue to be into the future. There are approximately 12 new SRF loans that close each month. IFA processes SRF loan disbursements for both new and existing loans once per week and approximate volume is \$25 million per month.*