



**REQUEST FOR PROPOSAL  
FOR REVIEW AND ENHANCEMENT OF THE  
NHFC'S BUSINESS CASE FOR MORTGAGE  
DEFAULT INSURANCE**

**RFP: MO/07/2021**

**Compulsory Briefing Session: 29 July 2021 at 11h00 am**

**Due to the current COVID 19 pandemic, the briefing session will be conducted virtually on ZOOM**

Herewith the Zoom Meeting details:

<https://us02web.zoom.us/j/87486488505?pwd=U0NJeGtBaEUyM0JhWFo2c0ZIUGdBZz09>

Meeting ID: 874 8648 8505

Passcode: 235184

**Bid closing date: 24 August 2021 at 11h00 am**

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## **1. INTRODUCTION**

The Department of Human Settlements is in the process of establishing a Human Settlements Development Bank (“HSDB”). The purpose of which is to position the HSDB as a vehicle to provide effective public and private funding, financing support to key segments of the housing market, in the face of considerable market failure, significant need and a declining fiscus.

In 2008, the National Treasury undertook a review of the mandates of South Africa’s Development Finance Institutions (DFIs) at the request of Cabinet. The review was conducted in consultation with the national departments responsible for the DFIs. To support expanded housing delivery, the Treasury Review recommended amalgamating the three-housing sector DFIs into a single institution to have greater impact, viability and increased scale.

The National Housing Finance Corporation SOC Ltd (NHFC) has now merged with NURCHA and RHLF (all 3 entities previous human settlements DFIs) to deliver quality financial support for the development of a sustainable and integrated human settlement in the country. The NHFC needs to strategically reposition itself as the Human Settlements DFI of choice through significantly enhancing its product offering, financial strength and building capabilities to make a positive developmental impact, whilst balancing the challenges of economic viability and developmental imperative. This will be achieved through the establishment of the HSDB.

Addressing areas of market failure and increasing access to household credit for low to middle income earners, will be high on the area of priority for the HSDB.

## **2. PURPOSE**

In South Africa mortgage lenders are increasingly being encouraged to lend and develop products that cater for low-income households and households with irregular incomes. However, mortgage lenders face the risk of borrowers defaulting on loan repayments.

A particular concern are households that fall in the gap market, these are households that are unable to qualify for a credit facility or for government driven subsidies or affordable finance.

Introducing a Mortgage Default Insurance (MDI) product for the residential property market has been identified one of the solutions to increasing access to housing finance for those previously unable to participate in this sector of the market. The mortgage insurance model provides lenders with a reliable means of transferring credit risk to the insurance sector and enhance access to homeownership to borrowers viewed as a high credit risk.

A successfully implemented mortgage insurance programme has benefits for the borrower, lender, capital markets and the housing finance system by enhancing access

to homeownership for lower income, or higher risk borrowers by. It will also encourage and enable including lenders to accept incremental credit risks and lower deposit requirements.

A business case for MDI was initially developed in 2009 for the NHFC and it outlined the purpose, financial model, product, and a market analysis. The NHFC would like to enhance the business case to reflect the remodeled NHFC operations as well as the ~~current~~ prevailing market conditions in which it operates, ~~and~~ which have significantly changed and have implications on the viability of the proposed insurance programme.

The NHFC is therefore seeking proposals to refine the business case and operating model, of an MDI vehicle within the context of the changing environment.

### **3. TERM OF THE APPOINTMENT**

The contract in respect of the assignment will be signed between the Service Provider and NHFC for a period of two and a half months for the completion of the exercise.

### **4. BACKGROUND**

The NHFC was established by the National Department of Human Settlements as a development finance institution (DFI) in 1996, with the principal mandate of broadening access to affordable housing finance for the low- and middle-income households.

NHFC is a registered state-owned company. As a Schedule 3A national public entity, the NHFC adheres to the regulatory framework of the Public Finance Management Act (PFMA) of 1999.

The NHFC provides wholesale funding in the affordable housing market mainly to social housing institutions, non-banking retail intermediaries, building contractors privately owned property developers and investors. It provides loans and other forms of wholesale funding (equity and quasi equity) to certain niche businesses that operate in the affordable housing market.

Effective from 01 October 2018, the company merged with National Urban Reconstruction and Housing Agency SOC NPC and Rural Housing Loan Fund SOC NPC. The NHFC will serve as a consolidated platform for the establishment of the HSDB. The process of winding up these two entities has commenced. It is envisaged that the NHFC will continue in its existing legal format but will change its constitution documents to conform to the HSDB requirements once established.

### **5. SCOPE OF WORK AND TECHNICAL REQUIREMENTS**

The successful service provider will be expected to do a holistic review of the business case, including key assumptions, financial and operating model. This will include

recommendations that will enable the NHFC to successfully launch the insurance programme in a sustainable and commercial viable manner.

The scope of work for the Consultant will include but not be limited to:

- a) Review the commercial viability of a MDI programme, including assessment of the legal and administrative framework for mortgage finance and collateral acquisition in the case of default.
- b) Undertake stakeholder mapping and analysis, with recommended interventions for engagement with identified parties.
- c) Establish the extent of demand for mortgage insurance; by conducting a market driven exercise to measure appetite with a variety of lenders. The outcomes of which will provide a greater understanding of product perception, identified opportunities, benefits, challenges, as well as concerns.
- d) Provide the housing demand analysis and insight of the business case and market trends of key variables, viz house price index, borrower income, credit market data, and mortgage performance data.
- e) Undertake a review of the external operating environment focusing on the relevant legislative frameworks and regulatory environment, including but not limited to Financial Advisory and Intermediary Services Act, Public Finance Management Act , Credit Rating Services Act, Short Term Insurance Act 1, Home Loan and Mortgage Disclosure Act, Financial Sector Regulation Act, National Credit Act, POPI, FAIS, FICA, Solvency II (SAM) including pertinent legislative frameworks to ensure alignment and compliance.
- f) Review and recalibrate the product design features including the LTV (loan to value) parameters, the proposed risk sharing measures between the insurance provider and originating lender.
- g) Review the premium rate structure that is actuarially based to cover projected potential losses and the variability of those premiums considering the different risk and income profiles of the prospective clients.
- h) Review the financial model and profile key assumptions based on the proposed product and pricing scenarios. Presenting a 5-year operational plan with profitability forecasts, and predicted projected Capital Adequacy Requirements (CAR) and the overall financial sustainability.
- i) Develop a Key Risk and Performance indicator framework to monitor the key results and the strategic objectives.
- j) Conduct MDI comparative models through best practice metrics in an international benchmark perspective

- k) Determine the appropriate governance structure and Resources Skills framework required to operationalise the insurance programme.

5.1 Design executable guidelines and instructional framework for the effective implementation of the MDI Programme.

- a) Prepare a Business Implementation Road Map Outlining Key deliverables.

5.2 Documentation to be reviewed and contextualized:

- MDI Business Case
- Office of Disclosure Mortgage Data Reports
- NHFC business plans and Corporate structure

## **6. METHODOLOGY AND APPROACH**

6.1. The Service Provider must develop an applied methodological approach and tool that respond to the scope of work and determine the appropriate business process design and applicable instrument.

## **7. DELIVERABLES**

- A Revised business case including results of current assumptions and updated recommendations.
- Revised Forecast for Mortgage default Insurance business case.
- Implementation Road Map with Key deliverables outlined.

## **8. EXPERTISE AND SKILLS REQUIRED**

The key criteria to be considered for a suitably qualified and experienced business consultant with access to actuarial modelling skills:

- a) Post graduate degree in Business Management related qualification
- b) Minimum of five (5) years of relevant business strategist experience ideally in the financial services sector, whether public and/or private sector.
- c) A proven track record of having performed similar engagements.
- d) Strong experience and in-depth knowledge in housing finance, insurance sector, property finance and/or real estate market.
- e) Have developed customised solutions for a client
- f) Good understanding and adoption of project management methodologies; and
- g) Good communication and report writing skills.

NB: Proposals should be able to not only provide what is mentioned above but also indicate areas of importance pertinent to the process.

## 9. COMPULSORY DOCUMENTS REQUIRED

- a) Bidders are required to submit a copy Tax Clearance Pin (TCP) issued by SARS to enable the NHFC to view the bidders tax status.
- b) The firm must be registered on the National Treasury Central Supplier Database (CSD) at the time of submitting the proposal. Copy of Central Supplier Database Report must be submitted.
- c) Bidders must submit proof of Company Registration
- d) Copy of B-BBEE status level Certificate accredited by SANAS (South African Accreditation System) or Sworn Affidavit for BBBEE Qualifying Small Enterprise in line with the DTI template.
- e) FICA documents of shareholder / directors
- f) All Supplier information and declaration Interest Forms properly completed and signed.
- g) PEP declaration properly completed and signed
- h) Submission of the Signed and Completed Standard Bid Documents (SBD) Forms

All forms, annexures, addendums and specifications shall be signed and completed and returned with the RFP Document as a whole.

## 10. EVALUATION CRITERIA

The proposal will be evaluated in terms of the Preferential Procurement Policy Framework Regulations of 2017. Evaluation of the bid will be conducted in 3 (three) phases as follows:

### Phase 1: Eligibility / Pre-Qualification criteria

Bidders will be evaluated according to pre-qualification requirements which include the submission of mandatory information or documentation as stated in section 9 of this document. Bidders that fail to meet the pre-qualification requirements of the bid will not be considered further for evaluation.

### Phase 2: Technical/functional evaluation

Category	Criteria	Sub-category	Points
1.	<b>Experience and Expertise of Key Personnel</b>		<b>30</b>
	<ul style="list-style-type: none"> <li>• Experience of the bidding company's project team members in this scope of engagement dealing with projects within the financial sector (preferably short-term insurance) (Detailed CV's, relevant qualification/s in the following areas of expertise, but not limited to Financial Risk Management, Actuarial science, Business Strategy, Product Development, Research and Development and copies of certificates must be submitted).</li> </ul>		<b>15</b>

Category	Criteria	Sub-category	Points
	<ul style="list-style-type: none"> <li>- Project Lead (15yrs) = 5</li> <li>- Manager (10yrs) = 5</li> <li>- Supervisor (5yrs) = 5</li> </ul>		
	<ul style="list-style-type: none"> <li>• Company track record: minimum of 5 years' experience. In-depth knowledge and experience in development of business models and target operating models especially within the financial services sector (preferably short-term insurance).</li> </ul> <p>5 or more <b>signed</b> reference letters, not older than 15 years, to be submitted from Companies where similar service has been conducted by the bidding company</p> <ul style="list-style-type: none"> <li>• not be older than 15 years,</li> <li>• be on the letterhead of the previously serviced client,</li> <li>• make reference to services rendered,</li> <li>• include the year in which the services were rendered,</li> <li>• include contactable reference name and contact details,</li> <li>• signed by the appropriate delegate</li> </ul> <ul style="list-style-type: none"> <li>- 3 points will be awarded for each reference letter, relevant to the project</li> </ul>		15
<b>2.</b>	<p><b>Approach and Methodology</b></p> <p>The service provider must demonstrate their understanding of the scope and technical requirements (section 5)</p> <ul style="list-style-type: none"> <li>• The service provider exceeded their understanding of the terms of reference, scope and technical requirements of <b>this assignment =20</b></li> <li>• The service provider fully demonstrated their understanding of the terms of reference, scope and technical requirements of <b>this assignment =16</b></li> <li>• The service provider sufficiently <b>demonstrated their understanding of the terms of reference, scope and technical requirements of this assignment = 12</b></li> <li>• The service provider moderately <b>demonstrated their understanding of the terms of reference, scope and technical requirements of this assignment = 8</b></li> <li>• The service provider inadequately <b>demonstrated their understanding of the terms of reference,</b></li> </ul>		<b>60</b>
		20	

Category	Criteria	Sub-category	Points
	<b>scope and technical requirements of this assignment = 4</b>		
	<ul style="list-style-type: none"> <li>Demonstrated understanding of the affordable housing market</li> </ul>	10	
	<p><b>Quality and Applicability of strategic methodology and Approach</b></p> <p>A bidder must provide a detailed proposal demonstrating how the scope of work will be delivered.</p> <p>The approach and methodology is innovative, detailed, <b>appropriate and systematic on milestones and timeframe</b> = 30 points</p> <ul style="list-style-type: none"> <li>The approach and methodology is innovative and detailed = 30 points</li> <li>The approach and methodology is detailed = 20</li> <li>The approach and methodology is sufficient = 10</li> <li>The approach and methodology is inadequate = 0</li> </ul> <p>(Note: in addition to quality and applicability of strategic methodology and approach, bidders should provide a proposal demonstrating how the scope of work will be delivered and a detailed project plan to highlight the timelines)</p>	30	
<b>3.</b>	<b>Value Proposition and Skills Transfer</b>		<b>10</b>
	<ul style="list-style-type: none"> <li>What sets the service provider apart from otherservices providers</li> </ul>	5	
	<ul style="list-style-type: none"> <li>Skills transfer plan</li> </ul>	5	
	<b>TOTAL</b>		<b>100</b>

### Phase 3: B-BBEE and Price evaluation

The proposal will be evaluated in terms of the Preferential Procurement Policy Framework Act and Regulations of 2017. Bidders who score a minimum of 70 points will be further evaluated in terms of Price and Preference points (B-BBEE status level of contributor). As per the table below, price is evaluated over 80 points and preference points over 20:

<b>Price Assessment</b>	<b>80 Points</b>
<b>TOTAL</b>	<b>80</b>
Preferential Elements	20 Points

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

## 11. COMMERCIAL OBLIGATIONS

This section of the document outlines the general commercial process and obligations of the service provider.

### 9.1 Contracting

A contract will be concluded between NHFC and the successful service provider which will incorporate the following:

- The letter of acceptance to the successful bidder
- The original tender documents;
- The proposal of the successful service provider, and
- Terms and conditions as stipulated above and general contract terms and conditions.

### 9.2 Material Rights

The product of this project will be confidential information, and will be the property of the NHFC and the National Department of Human Settlements and no disclosure of information to other parties will be made without prior written approval of the NHFC and the Department.

### 9.3 Management

9.3.1. The NHFC and NDHS will manage and oversee the project;

8.3.2. The Service Provider will be expected to present the inception report, project plan, to the project steering committee and other relevant stakeholders.

### 9.3 Rules of Bidding

- The NHFC reserves the right to amend or cancel this RFP at any time, at its sole discretion;
- The NHFC is not bound to accept any of the proposals submitted, and reserves the right to call for best and final offers from the short-listed bidders before final selection;

- The NHFC reserves the right to call for interviews with short-listed bidders before final selection;
- The NHFC reserves the right to conduct post tender negotiations, to negotiate price and other aspects of the contract with the preferred bidder without prejudicing other bidders;
- The NHFC reserves the right not to accept the lowest scoring bid (if applicable) or any bid in part or whole. The NHFC would award a contract to a bidder who proves to be fully capable of handling the contract and whose bid is functionally acceptable and/or financially advantageous to the NHFC.
- An eligible Bidder, if requested, must be prepared to present evidence of experience, ability, service facilities, and financial standing necessary to satisfactorily meet the requirements set forth or implied in this proposal;
- The NHFC reserves the right to request all relevant information, agreements and other documents to verify information supplied in the bid process. The bidder hereby gives consent to the NHFC to conduct background checks on the bidding entity and any of its directors / partners / trustees / shareholders /members/employees. The NHFC reserves the right to consider the information arising from such background check as part of the tender evaluation process.
- NHFC reserves the right to award a contract in part, to reject any and all quotations in whole or in part, to waive technical defects, irregularities and omissions, at its sole discretion;
- The successful bidder (s) will be required to sign a Service Level Agreement (SLA), in terms of which the service provider's performance will be measured and managed in line with agreeable deliverables or KPI's
- Late submissions will not be considered.

**i. Submission Address**

Proposal, endorsed with **RFP: MO/07/2021** must be hand delivered to:

NHFC Tender Box

The Isle of Houghton

Old Trafford 3, 1st Floor

11 Boundary Road

Houghton

Johannesburg

**Attention: Ms Pumza Nsukwini**

**ii. Copies**

Three hard copies and a soft copy (CD/USB) must be submitted in a sealed envelope, appropriately addressed.

**iii. Submission Date**

The Proposal (technical and financial) must reach the NHFC **by 24 August 2021 at 11h00am.**

**iv. Proposal Cost**

The cost of compiling a Proposal is and remains the prospective service provider's own cost and will not be paid for by NHFC.

**v. Contacts**

The contact person for information pertaining to the RFP proposal is Ms. Pumza Nsukwini, telephone numbers 011-644 9800 and e-mail [pumzan@nhfc.co.za](mailto:pumzan@nhfc.co.za) and for any technical inquiries regarding the ToR email: [MogotsiO@nhfc.co.za](mailto:MogotsiO@nhfc.co.za) or [Vuyisani.Moss@dhs.gov.za](mailto:Vuyisani.Moss@dhs.gov.za)