



---

## FEDERAL HOUSING FINANCE AGENCY

---

### DIVISION OF FEDERAL HOME LOAN BANK REGULATION

#### ADVISORY BULLETIN

**AB 2013-06**

#### **Guidance on Scoring Tie-Break Methodologies in the Affordable Housing Competitive Application Program**

#### **Introduction**

This advisory bulletin provides guidance under the Affordable Housing Program (AHP) regulation, 12 C.F.R. part 1291, on how the Federal Home Loan Banks (FHLBanks or Banks) may treat AHP competitive program applications in the event that two or more applications have identical scores in the same funding round and there is insufficient AHP subsidy to approve all of the tied applications. This guidance supersedes any previous guidance to the contrary.

#### **Guidance**

##### **A. General**

An FHLBank may minimize the possibility that AHP applications will receive identical scores by designing its method of allocating scoring points to provide sufficient variability in the scoring points awarded to different applications. For example, a Bank might design a particular scoring criterion as a variable rather than a fixed criterion (see §1291.5(d)(3)), which might include carrying individual scores out to multiple decimal places. Unlike a fixed criterion, where an application meeting a specific criterion receives the total amount of points allowable, with a variable point criterion the application is scored on how well it meets the criterion. This approach allows for greater differentiation in scores and decreases the possibility of a tie.

If two or more AHP applications receive identical numerical scores, an FHLBank may not divide the amount of remaining subsidy equally among the applications with the same scores.

If an AHP application receives a numerical score identical to the score of another application in that funding round, and, if that application requests more subsidy than the amount of AHP funds that remain to be awarded, then the FHLBank shall approve that application as an alternate and exclude it from participation in the tie-breaking event.

## **B. Establishment and Implementation of Scoring Tie-Break Policies**

An FHLBank may establish a scoring tie-break policy to address the possibility of a tie between or among two or more applications. The FHLBank should consult with its Advisory Council prior to adoption of such policy, and the policy should be adopted in advance of a funding period.

If an FHLBank adopts a tie-break policy, it should include the methodology used to break a tie in its AHP Implementation Plan (IP). Inclusion of the tie-break methodology in the IP ensures that applicants will receive prior notice of the policy.

An FHLBank's scoring tie-break methodology should be reasonable, transparent, verifiable and impartial. The methodology is intended solely to break a scoring tie and should not affect the eligibility of the applications, including financial feasibility, or their scores and resultant rankings.

If an application does not prevail in breaking the tie, the Bank must approve it as an alternate pursuant to §1291.5(e)(2) and, within one year of approval, the Bank may fund the application if previously committed AHP subsidies become available and the amount of funding is sufficient to fund the alternate application.

The AHP regulation prohibits adoption of additional scoring criteria not specified or permitted in the regulation. However, an FHLBank electing to adopt a tie-break method may, as one option, draw its tie-breaking principles from the FHLBank's AHP scoring criteria adopted in its IP pursuant to the AHP regulation at 12 CFR § 1291.5(d).

Each time the tie-break policy is applied to an application, the FHLBank should document its analysis and results in writing.

The FHLBanks' scoring tie-break policies and written analyses and results of scoring tie-breaks are subject to review by FHFA's examiners.

### **C. Illustrative Examples of Scoring Tie-Break Methodologies**

The following are non-exclusive examples of scoring tie-break methodologies that an FHLBank could adopt.

**Example 1.** This example entails comparing the tied applications' scores on three separate scoring criteria.

**Step 1:** In the event of a scoring tie between two or more applications, the application that scored the highest number of points under the Second District Priority scoring criterion receives the AHP award (§1291.5(d)(5)(vii)). If the applications' scores are still tied, proceed to Step 2.

**Step 2:** Compare the applications' scores under the First District Priority criterion (§1291.5(d)(5)(vi)). The application that scored the highest number of points under the First District Priority receives the AHP award. If the scores are still tied, proceed to Step 3.

**Step 3:** The application with the highest score under the Community Stability criterion receives the AHP award (§1291.5(d)(5)(ix)).

**Example 2.** This example entails comparing the tied applications' scores on three separate criteria under the Second District Priority scoring criterion. Assume the FHLBank has allocated 20 total variable points to its Second District Priority scoring criterion for the following housing priorities: up to 10 points for the preservation of existing affordable units through acquisition or redevelopment that would otherwise be lost as affordable housing stock and/or converted to market-rate units; up to 7 points for the use of properties or units that have been foreclosed upon; and up to 3 points for the extent to which a member or members participate(s) financially in a project, excluding pass-through of the AHP subsidy.

**Step 1:** Compare the tied applications' scores under the preservation criterion. The application with the highest score is approved for funding. If the applications' scores are still tied, proceed to Step 2.

**Step 2:** Compare the tied applications' scores under the foreclosed-upon criterion. The application with the highest score is approved for funding. If the applications' scores are still tied, proceed to Step 3.

**Step 3:** Compare the tied applications' scores under the member-participation criterion. The application with the highest score is approved for funding.

Advisory Bulletins communicate guidance to FHFA supervision staff and the regulated entities on specific supervisory matters pertaining to the Federal Home Loan Banks, Fannie Mae, and Freddie Mac. This bulletin is effective immediately upon issuance. Contact Kari Walter, Senior Associate Director, Office of Supervision Policy at (202) 649-3405, or Sylvia Martinez, Principal Adviser/Manager, Division of Bank Regulation (DBR) at 202-649-3301. FHLBanks seeking additional guidance on scoring tie-break methodologies may submit their questions to DBR at [DBR.HCI@fhfa.gov](mailto:DBR.HCI@fhfa.gov).