



Member driven.
Community focused.

CDFI's, FHLBanks and Responding to Difficult Times

March 3, 2020

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FHLBank System Overview

About the Federal Home Loan Bank

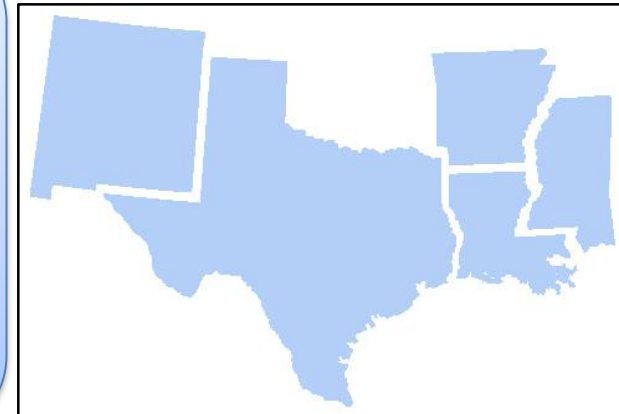
- FHLB System was created by an Act of Congress under the Hoover administration in July 1932
- Organized as a cooperative and owned by our approximately 825 members and associated institutions
- Operates independently as a GSE, receiving no taxpayer assistance

FHLB System members are:

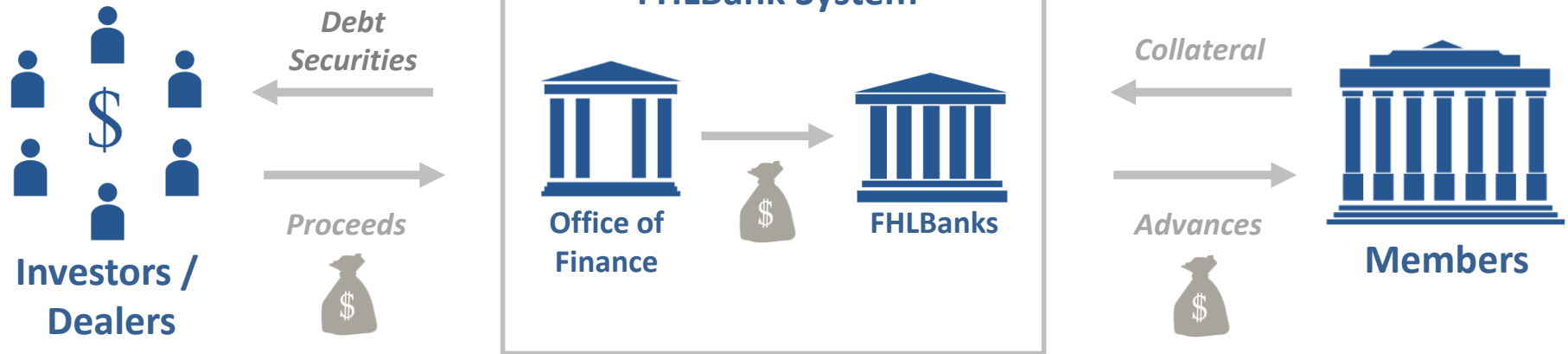
- Banks
- Credit unions
- CDFIs
- Thrifts
- Insurance companies

How many members are there?

- Arkansas 88
- Louisiana 128
- Mississippi 76
- New Mexico 44
- Texas 473



FHLBank System



The 11 FHLBanks are government-sponsored enterprises (GSEs) organized under an act of Congress (Federal Home Loan Bank Act of 1932)

FHLBanks serve the general public by providing readily available, low-cost funding to approximately 7,000 members, thereby increasing the availability of credit for residential mortgage lending and investment in housing and community development

FHLBanks fund their operations principally through the sale of debt securities through the Office of Finance

When do members use wholesale funding?

- Funding loan growth in excess of deposit growth
- Managing deposit costs and impact on net interest margin:
 - Funding deposit outflows without having to “pay up” excessively
 - Controlling marginal cost of funds by minimizing use of CD “specials”
- Funding temporary cash shortfalls
- Funding seasonal liquidity needs (e.g. ag lending)
- Funding fixed rate lending initiatives, both residential and commercial
- Managing overall interest rate risk, particularly to reduce liability exposure to rising rates
- Funding wholesale leverage strategies especially involving securities
- Hedging potential future deposit runoff if interest rates rise
- Using caps or floors

FHLB Dallas Credit Products: Approximate Range of Terms

Credit Products

Credit Products		Overnight	1 day - 1 month	1 month - 1 year	1 year - 10 years	>10 years
Fixed-Rate Advances	Secure Connect Saver (SCS)	✓				
	Whole Loan Advance (WLA)	✓	✓			
	Discount Note Advance (DNA)		✓			
	Fixed-Rate, Fixed-Term (FRFT)			✓	✓	✓
	Principal and Interest Amortizing (PRAM)				✓	✓
	Maximum Advantage with Convenience (MAC)			✓		
Fixed- and Floating-Rate Advances	Maximizer Floater (MAX)	✓	✓			
Floating-Rate Advances	MAC Term				✓	
	LIBOR Floaters* *				✓*	
	SOFR-Linked Advance			✓	✓	
Structured Advances and Features	FHLB Dallas Owns the Option (FOTO)				✓	✓
	Callable Advance				✓	
	Expander Advance				✓	
	Symmetrical Prepayment Advance				✓	
	Forward-Starting Advance	✓	✓	✓	✓	✓

*LIBOR-based advances can only be booked with a maturity date on or before December 31, 2021.

Member Advance Strategies: FHLB Dallas Credit Products Summary

Credit Products		Manage funding costs	Reduce interest rate risk	Meet liquidity needs	Fill short-term funding gaps	Reduce basis risk	Manage prepayment risk	Match-fund fixed rate loans	Match-fund adjustable rate loans	Fund mortgage pipelines
Fixed-Rate Advances	Secure Connect Saver (SCS)	✓		✓	✓					
	Whole Loan Advance (WLA)	✓		✓	✓					
	Discount Note Advance (DNA)	✓		✓	✓					
	Fixed-Rate, Fixed-Term (FRFT)	✓	✓	✓	✓			✓		✓
	Principal and Interest Amortizing (PRAM)	✓	✓	✓		✓	✓	✓		✓
	Maximum Advantage with Convenience (MAC)	✓	✓	✓	✓				✓	
Fixed- and Floating-Rate Advances	Maximizer Floater (MAX)	✓		✓	✓				✓	
Floating-Rate Advances	MAC Term	✓	✓	✓	✓		✓		✓	✓
	LIBOR Floaters*	✓	✓			✓	✓		✓	
	SOFR-Linked Advance	✓	✓			✓			✓	
Structured Advances and Features	FHLB Dallas Owns the Option (FOTO)	✓								
	Callable Advance	✓	✓				✓	✓		
	Expander Advance	✓	✓				✓	✓		
	Symmetrical Prepayment Advance	✓	✓					✓		
	Forward-Starting Advance	✓	✓					✓		

*LIBOR-based advances can only be booked with a maturity date on or before December 31, 2021.

FHLB Letters of Credit

- **Performance Guarantee:** FHLB will issue a standby letter of credit
 - to a third party beneficiary on behalf of a member as an independent guarantee of the member's obligation or performance to the beneficiary
 - to confirm a member's guarantee (letter of credit) for a customer's obligation
 - A standby LOC is only drawn upon in the event of default

- **Bond Enhancement:** The FHLB will issue a direct pay letter of credit
 - in connection with a bond financing
 - FHLB's credit rating is attached to the bonds and FHLB becomes directly obligated to make periodic payments to the Trustee
 - Approved for credit enhancement of bonds



Some Possible Uses of LOC

- LOC instead of collateral pledged to the re-insurer
- Security deposit for leasing space
- LOC in lieu of appeal bond or judgment amount for court insurance judgments
- Credit-card processing accounts
- Construction projects
- Insurance payments
- Workers compensation and insurance premiums
- Working capital guarantees
- Cheaper borrowing cost from debt markets

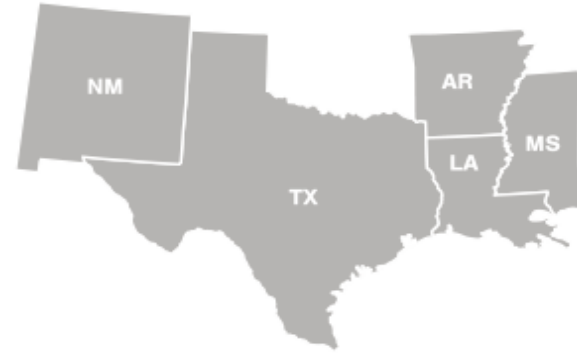
FHLB Letters of Credit can be used for Performance Guarantees and Bond Enhancements

Disaster Rebuilding Assistance (DRA)

Community Investment

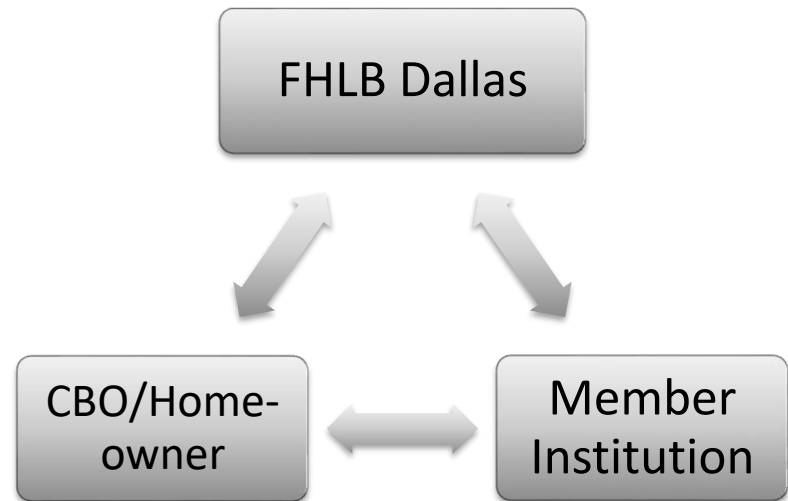
DRA Program Specifics

- 2020 Allocation: **\$400,000**
- Maximum Grant: **\$10,000**
- Funds are first-come, first-served
- DRA-assisted property must be located within the FHLB Dallas district
- Funds go directly to home rehabilitation



2019 Disaster Grant

\$277,565
5 members
30 homeowners



Homeowner Requirements

Verify homebuyer meets all grant requirements:

Residence

Property must be the household's primary residence

Ownership

Homeowners have 30 days ownership prior to the disaster and ownership at the time of the disaster.

Income

Total annual household income may not exceed 80% of Area Median Income

Funding Sources

Repairs are not paid for by another source.

Scope of Work

Funds are utilized to address habitability and code compliance issues.

FEMA Declaration

Property is a federally declared disaster with individual assistance
www.fema.gov/disasters

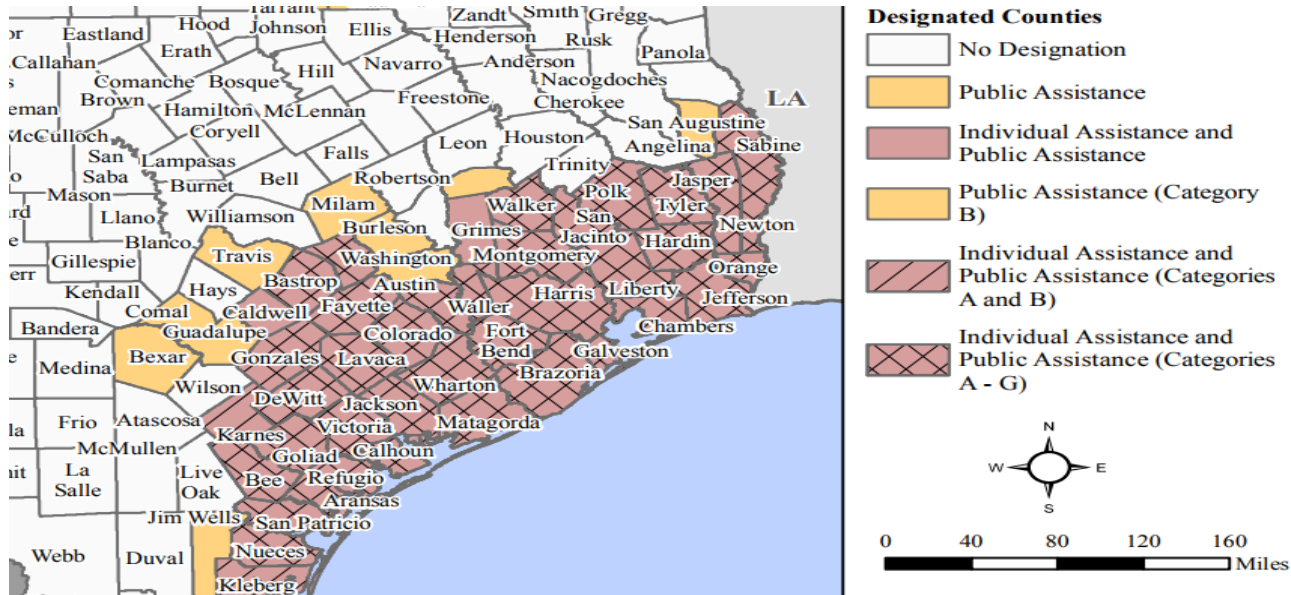
FEMA Disaster ID

- Home must be located within a FEMA disaster after March 12, 2017
- Visit www.fema.gov/disasters to locate the Disaster ID

Texas Hurricane Harvey (DR-4332)

Incident Period: August 23, 2017 - September 15, 2017
Major Disaster Declaration declared on August 25, 2017

- The county or parish must be designated for individual assistance



Common DRA Uses

- Exterior Structural Defects
 - Sagging porch steps, damaged floorboards/decking, broken windows, rotting siding
- Interior Structural Defects
 - Rotted framework, deteriorating drywall, damaged flooring
- Inoperative or significantly damaged HVAC units
- Roof repairs and replacement
- Other work deemed as acceptable by FHLB Dallas

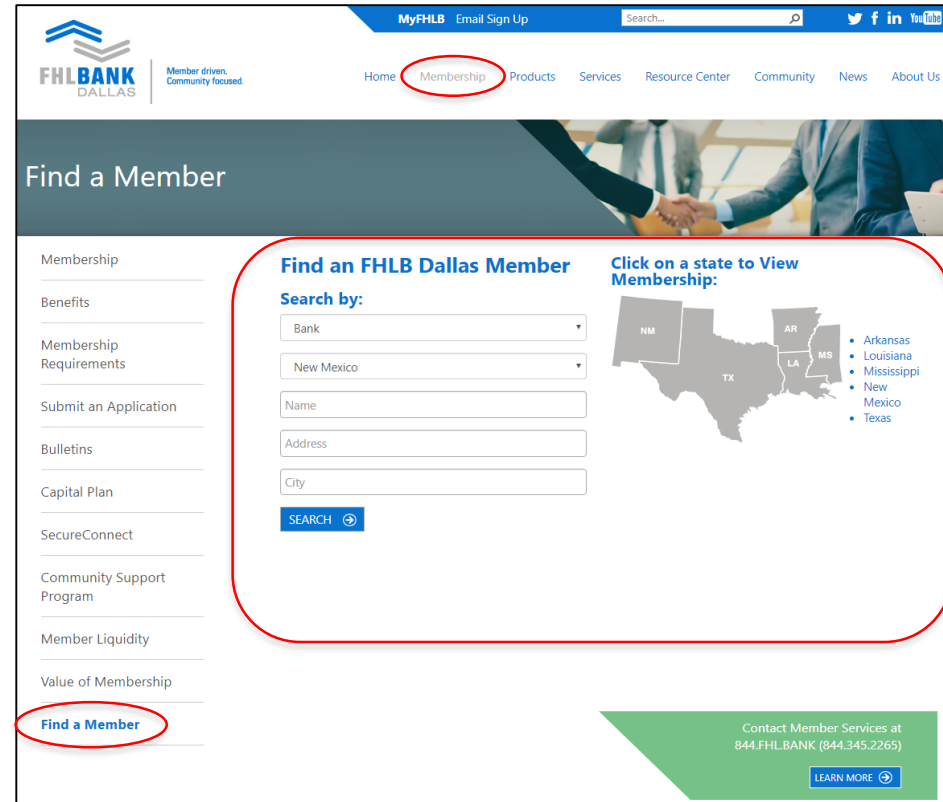
*This list is not all-inclusive

Feel free to ask if a prospective repair is eligible.

Health and safety repairs; Not cosmetic updates

How to Find a Member

- Go to fhlb.com >> Membership >> Find a Member
- The search will show all member institutions in the FHLB Dallas system
 - Not all will be enrolled for the DRA grant



What Documents do I Need?

Work with an FHLB member institution to complete documentation

SNAP Funding Manual

Found on fhlb.com

Income Documents

Most recent financials

Pre-Inspection

With photos and an invoice

Contractor Work Order

Labor/materials breakdown

2020 Grant Programs

➤ To learn more, [recorded webinars](#) are available on [fhlb.com](#)

	AHP	HELP	PGP	HAVEN	SNAP
What is it?	Rental and Owner Affordable Housing	Down Payment / Closing Costs	Operating Cost Matching Grant	Home Repair or DPA for Disabled Veterans	Home Repair
How much?	\$17 million* Up to \$40,000 per household	\$4.5 million Up to \$10,000 per household	\$300,000 3:1 match up to \$12,000 per member	\$300,000 Up to \$10,000 per household	\$2.5 million Up to \$7,000 per household
Eligibility	-Based on 100 pt. scale -80% AMI -In the USA	-80% AMI -First Time Homebuyer	-501c3 nonprofit -<\$600,000 revenue	-165% AMI -Disabled Post-9/11 Veteran	-55 and over -Disabled -Recovering from Abuse or Addiction

Advance Programs

Community Investment Program (CIP)

Designed to support owner-occupied and rental housing projects

Economic Development Program (EDP) and EDP^{Plus}

- Designed to support small business and other commerce-related projects
- **Disaster Relief Program (DRP)**

Designed to assist in the recovery efforts of federally declared disaster areas

Community Investment Program (CIP)

Favorably priced advances to support the financing of rental and owner-occupied housing

CIP advances may be used for:

- Financing for the purchase, construction, or rehabilitation of owner-occupied or rental housing
- Making loans to entities that, in turn, provide funding for eligible housing projects
- Investing in **low-income housing tax credits**
- **In conjunction with AHP grants**

CIP Advance Requirements

Project Income Qualifications

- **Ownership:** Household income at or below 115 percent of area median income.
- **Rental:** At least 51 percent of the units are occupied by families with incomes at or below 115 percent of area median income.



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CIP Advance

Multifamily project funded through the Community Investment Program:



“Lower rents were made possible due to the favorable loan terms.”

- Financing for a \$5.6 million project of 31 units for families and managed by the local HFA
- Utilized LIHTCs and 100% of resident household incomes were at or below 60% of the AMI

Economic Development Program (EDP)

Favorably priced advances to support the financing of economic development projects in targeted communities

Eligible Uses of Funds Include:

- Financing for commercial, industrial, social service, and public facility projects
 - Public Facilities could include public or private infrastructure projects, such as roads, utilities, water, and wastewater projects
- **Small business financing**

EDP Project Qualifications

Defined Qualifications

- Native American areas
- Federal or approved state disaster areas
- Areas affected by federal military base closings
- Small businesses as defined by the Small Business Administration

EDP Project Qualifications

Targeted Income

- **Location**

- Urban areas (population > 25,000) Up to 100 percent of AMI
- Rural areas (population < 25,000) Up to 115 percent of AMI

- **Wages**

- 51 percent of project employees have incomes at or below 80 percent of AMI

- **Services**

- 51 percent of families who benefit or are provided services by the project have incomes at or below 80% of the AMI



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Advance Rate Comparison

SecureConnect Amortizing EXAMPLE					
Balloon/ Amort.	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr
5 Year	1.703	n/a	n/a	n/a	n/a
10 Year	1.907	2.190	2.420	n/a	n/a
15 Year	1.948	2.280	2.675	2.901	n/a
20 Year	1.966	2.316	2.758	3.118	3.237
30 Year	1.982	2.346	2.824	3.257	3.480

CIP/EDP Amortizing EXAMPLE						
Balloon/ Amort.	5 Yr	7 Yr	10 Yr	15 Yr	20 Yr	30 Yr
5 Year	1.610	n/a	n/a	n/a	n/a	n/a
10 Year	1.810	2.008	2.113	n/a	n/a	n/a
15 Year	1.850	2.081	2.264	2.381	n/a	n/a
20 Year	1.867	2.109	2.314	2.492	2.542	n/a
30 Year	1.882	2.134	2.353	2.563	2.658	2.703

