

Community Development Special Finance Program (CDSFP)

FAQS

Frequently Asked Questions

Community Development Special Finance Program (CDSFP), January 26, 2024

The CDSFP is a pilot program designed to support community development activities, especially for Community Development Financial Institution (CDFI) members that historically have had challenges with collateral availability. The pilot will support FHLB Dallas members, including CDFIs, with a reduced collateral haircut for qualifying mortgage loans to certain income qualified borrowers (CDSFP Income Qualified Single-Family Residential loans or “CDSFP Qualified Loans”).

What benefit can this program provide?

- The CDSFP provides a more favorable haircut (12 percent for most members) on qualified loans to lower income borrowers compared to the usual haircut (25-40 percent for non-depository CDFIs).

Are there specific household income requirements related to the CDSFP Income Qualified Loan collateral:

- Yes, for all loans pledged under this program, members will certify that borrower income is equal to or below 115 percent of the area median income at the time of mortgage origination. This borrower income qualification is consistent with the limit used for the Bank’s Community Investment Program Advance.
- In addition, all loans pledged under this program must meet all FHLB Dallas’ eligibility requirements as outlined in the Member Products and Credit Policy and the Loan Collateral Eligibility Requirements guide.

Will there be a program volume limit?

- Yes, the maximum amount of qualifying collateral eligible to be pledged under the Pilot Program is \$200 million, of which \$150 million will be dedicated to CDFI members (including CDFI banks and credit unions and non-depository CDFI members) for the first six months.
- The pilot program will remain open for two years or until eligible collateral totaling \$200 million is pledged under the program, whichever occurs first.
- Until the program volume limit is met, a member may pledge eligible collateral up to the lesser of \$20 million or 35 percent of the member’s total assets.

Example: Member pledges \$20 million in eligible loan collateral on the first day of the program. As loans pay off, mature or become ineligible, a member can pledge additional eligible loans under the program up to the member’s \$20 million or 35 percent of total assets limit.

Who is eligible for this program and are there any credit requirements?

- All FHLB Dallas members are eligible for this program; however, members must meet the Bank’s minimum required internal credit rating of “D” or higher. Members with an internal credit rating of “E” will be evaluated by FHLB Dallas on a case-by-case basis.
- Members must be in compliance with Community Support Requirements/Community Reinvestment Act.

How do I pledge loans under the program?

- Members interested in participating must complete an onboarding process with your Member Sales Officer and Collateral Services including execution of the CDSFP Opt-In Agreement.

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- Members on Custody collateral status must physically deliver CDSFP Qualified Loan collateral to FHLB Dallas. Participating members on Blanket collateral status will be required to list CDSFP Qualified Loan collateral and provide monthly updates.

When can we begin pledging collateral under this program?

- The pilot will begin March 1, 2024. It will remain open for two years or until \$200 million in eligible collateral is pledged under the program, whichever occurs first.

Will non-CDFI members have access to this special collateral haircut?

- Non-CDFI members will have access to the special haircut for \$50 million of qualifying collateral for the first six months after launch of this pilot. After the first six months, all members, including non-CDFI members will have access to any unused capacity.

Would I be able to participate in this program if I already have collateral pledged to FHLB Dallas?

- Yes, collateral pledged under this program may be used in conjunction with all collateral pledged to FHLB Dallas to secure advances, including CIP/EDP advances, and other outstanding obligations.

Will this program be visible on my SecureConnect profile?

- Members on Blanket collateral status will see the amount of collateral pledged under this program in the Listing section of the Member Profile.
- Members on Custody collateral status will see the amount of collateral pledged under this program in the Delivered section of the Member Profile.

How will the collateral for this program be identified for members to keep track?

- Members can see how much collateral they have pledged under this program through the Collateral Detail report available on SecureConnect.

Are there any additional costs associated with this new program?

- No, but all standard fees apply, including delivery fees for delivered loans.

What could stop my institution from benefiting from this program?

- Being placed on Restricted status.
- Failing to comply with the requirements of the program.
- Delivering or listing collateral that is not within the spirit of the program.
- The program's overall volume limit is met.

At termination, are there specific actions to take?

- Members can choose to keep the collateral with FHLB Dallas at the standard haircuts.

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- Members that experience a collateral shortage if the pilot program is terminated will be responsible for curing the collateral shortage as specified in the Bank's Member Products and Credit Policy.

Additional details about the program will be made available ahead of the official launch on March 1, 2024. For questions, please contact FHLB Dallas Collateral Services at 800.541.0597 or vault@fhlb.com.

