



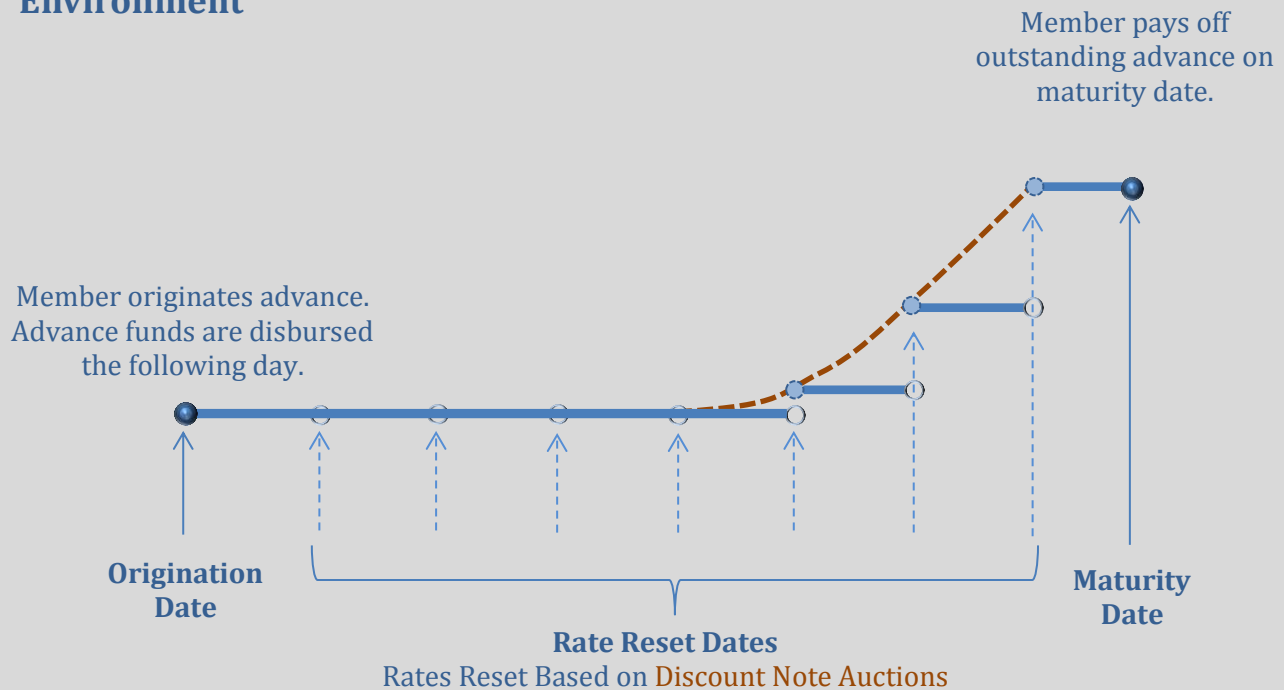
Member driven.
Community focused.

MAC Term Advances

What is a Maximum Advantage with Convenience Term (MAC Term) Advance?

MAC Term advances are fixed-term, adjustable-rate, non-amortizing advances that allows your institution the ability to leverage your balance sheet while managing balance sheet interest rate sensitivity. The MAC Term advance provides your institution the ability to maintain liquidity by prepaying part or all of your outstanding balance, without a fee, on specified reset dates, every 8, 13 or 26 weeks. The MAC Term advance is also available without the prepayment option. Please consult the Member Products and Credit Policy for prepayment fee calculations.

Example of a MAC Term Advance in an Increasing Rate Environment



What are Discount Notes and why are they used as a basis for an advance product?

MAC Term advances are funded by discount notes, short-term debt securities issued through the Federal Home Loan Banks' (FHLBank) Office of Finance (OF) and are a source of shorter-term funds for the FHLBanks. Structuring an advance product based on discount note costs enables a member institution to borrow longer-term advances at the FHLBanks' cost of funds plus a small spread.

Since 2000, the 13-week maturity discount note rates have typically been lower than comparable three-month LIBOR rates; so, institutions wanting to fund adjustable rate mortgages or other interest-rate sensitive investments with similar repricing characteristics may have an interest in match funding with these advance products.

MAC Term advances are based on the yield of discount notes with maturities of 8, 13 and 26 weeks issued via auctions. The OF typically schedules auctions twice a week on Tuesdays and Thursdays, and the yields* from these issued securities plus a small spread are used to determine the rates for the three respective MAC Term advance structures.

Why Use a MAC Term Advance?

If your institution needs low-cost, adjustable rate funding, then a MAC Term advance may be an attractive funding option for your institution.

- **Provides an inexpensive source of funds.**

The cost of MAC Term advances are based on the relatively lower cost, shorter-term debt issued by the FHLBank System. As seen below, the costs of the 13-week maturity discount notes issued via auction have been below the three-month LIBOR, respectively, since 2000.

Discount Notes (DNs) via Auctions Versus Comparable LIBOR Rates Since 2000

DNs Versus LIBOR Spread Since 2000 (under)/over	Discount Notes (DNs) vs. LIBOR Spreads		
	Range	Median	Average
Thirteen-Week DN less Three Month LIBOR	(1 bps) to (296 bps)	(18 bps)	(26 bps)

- **Increase leverage while managing interest rate sensitivity**

If a member institution wanted to increase leverage and manage the related interest-rate sensitivity, this institution could benefit from a MAC Term advance.

MAC Term advances could be used to fund adjustable-rate mortgage loan portfolios or interest-rate sensitive investments such as mortgage-backed securities with similar maturities and re-pricing characteristics. If your institution could match fund investments with MAC Term advances, assuming similar maturities and characteristics, your institution may be able to achieve a consistent spread by reducing repricing risk.

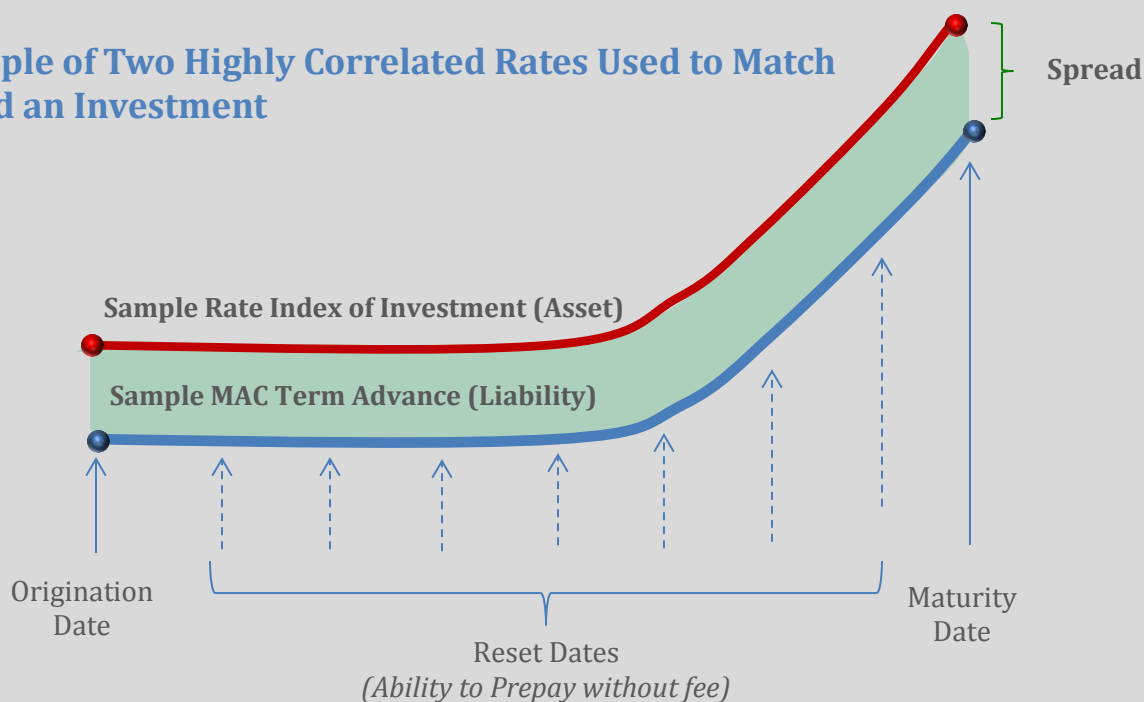
What are some specific uses of MAC Term Advances?

- **The MAC Term advance increases longer term liquidity with the ability to prepay prior to maturity with or without a fee.**

Since the financial crisis, there has been increased emphasis from regulators for banks to hold sufficient liquidity. MAC Term advances may assist member institutions in meeting their institution's evolving liquidity standards.

A member institution could lock in longer-term advances at shorter-term rates as a source of liquidity, but still have the ability to prepay principal at specified reset dates without a fee. For example, an institution could fund a high-quality liquid asset with a MAC Term advance to manage 30-day Basel III liquidity coverage requirements, continue to reinvest funds into shorter-term high-quality liquid assets over the longer term, and prepay the advance as funding strategies change.

Sample of Two Highly Correlated Rates Used to Match Fund an Investment



Available Structures

- **Adjustable rate, fixed term advances**

Three types of MAC Term advances are currently available. Depending upon the reset term chosen, the advance's coupon will reset every 8, 13 or 26 weeks based on the results of the FHLBank

System's discount note auctions that have typically occurred each Tuesday and Thursday.

These advance products are subject to the Bank's standard credit and collateral policies.

Please contact Member Services at 844.FHL.BANK for additional information.

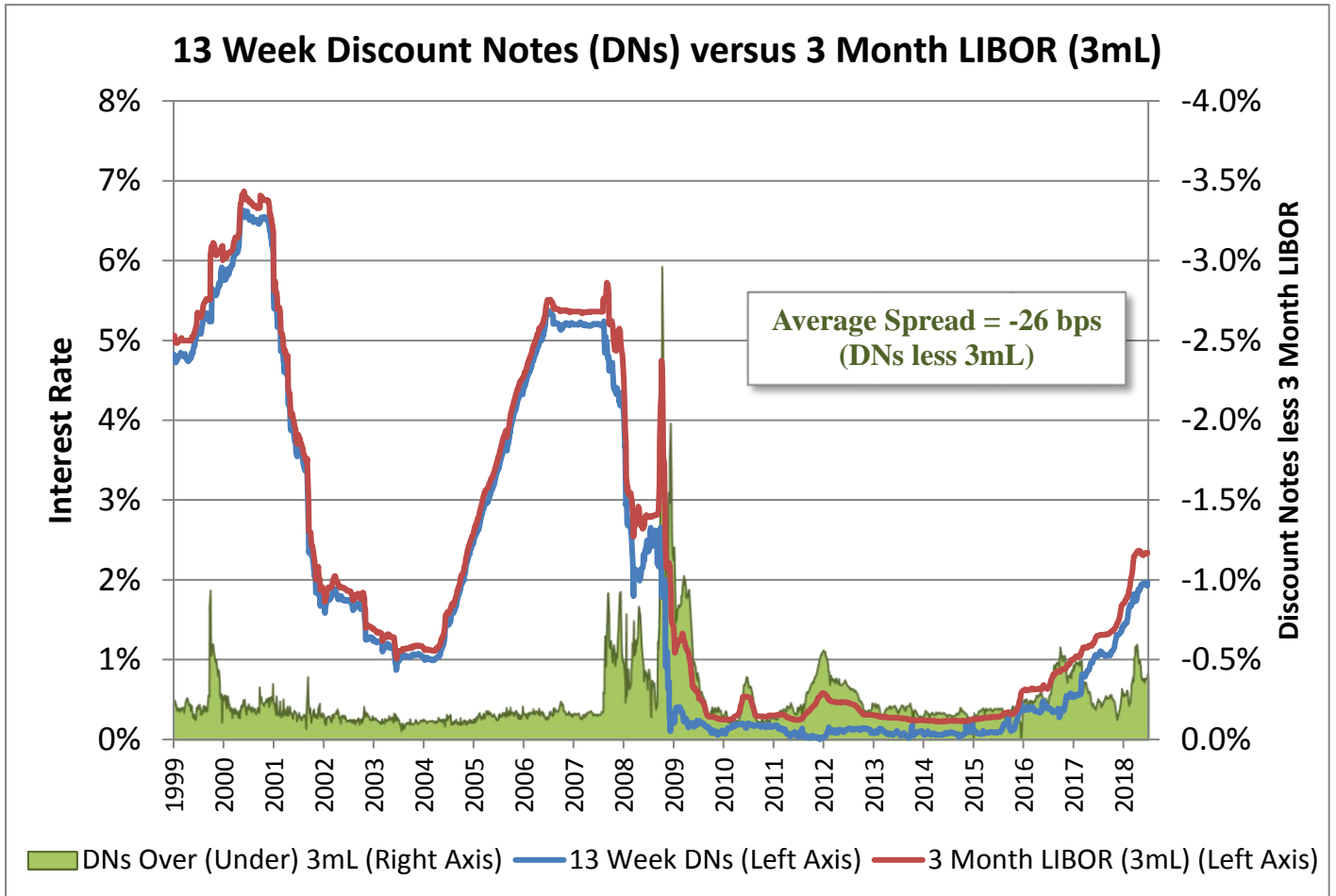
	8 Week	13 Week	26 Week
Rate Resets	Every 8 Weeks	Every 13 Weeks	Every 26 Weeks
Maturity Terms	1 year to 10 years		
Current Pricing	Call 1.844.FHL.BANK		
Minimum Initial Transaction Size	No minimum		
Settlement	One day following the origination		
Availability	Contact Member Services at 1.844.FHL.BANK by 9:30 a.m. CT, Tuesdays and Thursdays*		
Prepayments without Fee	Ability to prepay on each reset date without a fee with at least 2 business days' advance notice Member can request this advance with no prepay option.		

*If a holiday falls on a Tuesday or Thursday, FHLBank System discount note auctions are typically held on the preceding business day in which funding requests will be accepted. Also, if an auction does not occur or discount notes are not issued on any given determination date, the auction rate for that date will be the estimated rate at which the FHLBank System could have issued such discount notes, via auction, as calculated by FHLB Dallas in its sole discretion.

Risks

The Federal Home Loan Bank of Dallas does not act as a financial adviser. Member institutions should evaluate the risks and suitability of advances.

Appendix: Discount Notes from Auctions Versus LIBOR



Contact

Steve Otto

Director of Member Sales
steve.otto@fhlb.com
214.441.8711

Member Sales

800.442.9841

Zimri Hunt

Director of Member Solutions
zimri.hunt@fhlb.com
214.441.8506

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