



FEDERAL HOME LOAN BANK OF DALLAS

membership information



*Strengthening
members
and building
communities.*

2008

MISSION STATEMENT

The Federal Home Loan Bank of Dallas
is a member-owned financial intermediary
with the primary mission of supporting
homeownership, affordable housing and
community lending through its member institutions.

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The Federal Home Loan Bank of Dallas (Bank) offers innovative and competitively priced products and services that help your institution:

- enhance asset/liability management
- hold less liquidity on your books
- lower your cost of funds
- offer loans that meet the needs of your customers
- reduce interest rate risk, basis risk, and prepayment risk exposure

The Bank's products and services are customized to meet the unique funding needs of your financial institution.

The Bank is a leading provider of low-cost funds to financial institutions, offering credit products with maturities ranging from one day to 30 years. These products take the form of fixed- and floating-rate loans, known as "advances." Advance products can be customized to meet your institution's special funding needs, using a variety of interest calculations, cash flows, and amortizing schedules. In most cases, same-day funding is available.

To ensure that funds are available when our customers need them, the Bank maintains a ready supply of liquidity. The Bank raises most of its funds by issuing consolidated obligation bonds and discount notes. Because these instruments are rated Aaa and AAA by Moody's Investors Service and Standard & Poor's, respectively, the Bank is able to raise funds at competitive rates.

The Bank acts as a ready source of low-cost credit to community-oriented lenders that provide affordable community and economic development loans and other financial services in the areas they serve.

A brief profile of the bank as of December 31, 2007, follows:

| | |
|------------------------------|--|
| Asset Size | \$63.6 billion |
| Credit Outstanding | \$46.1 billion in outstanding advances |
| Financial Strength | Aaa and AAA ratings from Moody's and S&P |
| Ownership | Privately owned by financial institutions headquartered in Arkansas, Louisiana, Mississippi, New Mexico, and Texas. These five states comprise the Ninth District of the Federal Home Loan Bank System (System). |
| Products and Services | Fixed- & Floating-rate Advances Letters of Credit and Confirmations Affordable Housing Program Grants Economic & Community Development Programs Collateral Services Securities Safekeeping Services Deposits & Wire Transfer Services Mortgage Partnership Finance® Program Asset Connection |

application process

Federally insured financial depositories and insurance companies with a demonstrable commitment to financing home loans may apply to become members of the Bank System. Federally insured depositories chartered in the Ninth District include savings and loan associations, savings banks, commercial banks, and credit unions.

The Membership Application Package contains all of the documents and signature cards necessary to start the membership application process. The formal application documents and supplementary information that are requested in this package help the Bank's staff determine membership eligibility.

Application for membership involves the following:

1. Your institution submits a Membership Application Package to the Bank. (Before beginning the application process, you may choose to have the Bank review your institution's assets to determine the extent to which those assets can serve as collateral for Bank advances.)
2. The Bank reviews the application for completeness.
3. Once the application is complete, Bank staff determines whether your institution meets all eligibility requirements and application review standards. If additional justification is necessary, Bank staff works with your institution to obtain it.
4. Bank staff makes a final recommendation regarding membership approval and submits the recommendation and application to the Bank's Board of Directors or its designee.
5. The Bank's Board of Directors or its designee either approves or denies the application.
6. The Bank notifies your institution of the application status. Once approved, Bank staff works with your institution to make sure all necessary documents and forms have been received. The required stock purchase must be initiated during the 60 calendar-day period following approval.

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ELIGIBILITY

The eligibility criteria for membership in the Bank are:

1. **Duly Organized:** The institution is duly organized under federal or state laws.
2. **Subject to Inspection and Regulations:** The institution is subject to inspection and regulation under banking or similar laws of a state or federal regulatory agency.
3. **Makes Long-Term Home Mortgage Loans:** The institution either purchases or originates long-term home mortgage loans. Long-term home mortgage loans are defined as home mortgage loans with a maturity of five years or more. (An institution may also qualify through a mortgage banking operation or by purchasing and holding mortgage-backed securities.)
4. **10 Percent Rule:** The institution has at least 10 percent of its total assets in residential mortgage loans. Residential mortgage loans may include: first and junior lien mortgage loans, multifamily mortgage loans, manufactured housing loans, home equity loans, mortgage-backed securities, residential construction loans, and dormitory, retirement home, nursing home, and single-room occupancy loans.

Exception to 10 Percent Rule: Community Financial Institutions (defined as FDIC-insured depository institutions with average total assets over the preceding three-year period of less than \$500 million, adjusted annually) are *exempt* from the 10 percent rule.

5. **Financial Condition:** The institution's financial condition is such that advances may be safely made.
6. **Management History and Home Financing Policy:** The institution's management history and its home financing policy are consistent with sound and economical home financing.

APPLICATION REVIEW STANDARDS

The application review standards used to evaluate insured depository institutions are:

1. **Regulatory Examinations:** The institution has received a composite CAMELS rating of 1, 2, or 3 within the last two years.
2. **Community Reinvestment Act Performance Evaluation:** The institution's most recent CRA rating was outstanding or satisfactory.
3. **Capital:** The institution meets or exceeds all current regulatory capital requirements.
4. **Earnings:** The institution has been profitable in at least four of the last six quarters.

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5. **Enforcement Actions:** Neither the institution nor its management is subject to any enforcement action. (If an endorsement action exists, the institution should call to discuss the status of the action and the progress made to date in complying with the terms of the action. Enforcement actions do not necessarily prevent an institution from becoming a member.)
6. **Audit Opinion:** The institution has received an unqualified opinion from its external auditor relating to the most recent audit of its financial statements.
7. **Performance Trends:** The institution has not experienced significant deterioration in its financial condition since its last regulatory examination.
8. **Management History:** Neither the institution nor any of its directors or senior officers have been the subject of any relevant criminal, civil, or administrative proceedings reflecting on creditworthiness, business judgment, or moral turpitude since the last regulatory examination. In addition, there are no known potential monetary liabilities, material pending lawsuits, or unsatisfied judgments against the institution.

De novo institutions and institutions that recently merged or are about to merge are subject to additional review criteria. Additionally, if certain of the foregoing criteria with respect to an applicant vary from these requirements, the Bank may review additional information to determine whether the financial condition of the applicant is such that advances may be safely made to it, notwithstanding the variance.

INSURANCE COMPANY APPLICANTS

Insurance companies may apply for membership, provided that the applicant meets all of its minimum statutory and regulatory capital requirements and the capital standards established by the National Association of Insurance Commissioners as of the applicant’s most recent regulatory financial report.

INITIAL STOCK PURCHASE

Once an institution has been approved for membership, it must purchase capital stock in the Bank equal to the **greater** of:

- 0.06 percent of its total assets (based on the most recent quarter-end)
- \$1,000.00

The Capital Stock Calculation Worksheet included with the Membership Application will assist you in determining the minimum stock purchase amount for your institution.

An institution approved for membership **must initiate its stock purchase within 60 calendar days of membership approval**, at which point the institution is considered to be a member of the Bank. If the initial stock investment is not initiated within the 60 calendar-day period, the Bank will consider the application withdrawn.

STOCK PURCHASES TO SUPPORT ADVANCES

In addition to the initial capital stock purchase, each institution must maintain an activity-based capital stock requirement equal to 4.10 percent of outstanding advance balances plus 4.10 percent of the outstanding balances of Mortgage Partnership Finance Program loans retained on the Bank's balance sheet.

CREDIT REVIEW

The Bank establishes the borrowing capacity for each member, the amount of which is determined after conducting a thorough review of the financial strength of the institution. This borrowing capacity generally represents the maximum amount the institution can borrow.

To establish the borrowing capacity, the Bank needs access to current information regarding an institution's financial condition. For this reason, the Bank may ask members to provide financial statements and other essential documentation from time to time.

COLLATERAL REVIEW

Each member must pledge sufficient collateral to secure its Bank borrowings. The Bank lends up to a specified percentage of the market value of the collateral. This percentage, known as the borrowing capacity, varies according to the type of collateral.

The following types of collateral are eligible to secure Bank credit:

- first residential mortgages (single-family or multifamily) or securities representing a whole interest in such mortgages
- securities issued, insured or guaranteed by the federal government or a federal agency
- Federal Home Loan Bank deposits

The following types of collateral in aggregate may be eligible to secure Bank advances (subject to current collateral guidelines as stated in the Bank's Member Products and Credit Policy):

- second mortgages on single-family properties
- commercial real estate loans
- other real estate-related collateral that has a readily ascertainable market value and in which the Bank can perfect a security interest.
- small business loans and small agri-business loans

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While borrowers are required to pledge collateral, they typically maintain physical possession of most mortgage loan collateral. The Bank requires that members certify their pledged loan collateral annually, using the procedures outlined in the Bank’s Member Products & Credit Policy. In addition, the Bank may require segregation or delivery of mortgage collateral from a member whose financial condition has deteriorated or in situations in which the Bank deems itself insecure.

COMMUNITY SUPPORT STATEMENT

To further the Bank System’s mission of promoting affordable and accessible housing finance, the Bank members must submit a “Community Support Statement” to the Federal Housing Finance Board every two years. For most institutions, this statement will consist of a copy of its most recent public CRA performance evaluation, information about its loan products and services, and any additional information that reflects its community support efforts.

The Bank is eager to work in partnership with you to help fulfill this criteria. The Bank’s Community Investment Department is available to provide technical assistance to all interested members.

Our Affordable Housing and Economic and Community Development Programs will be of interest to members that want to expand their involvement in providing affordable home finance and community development loans in the areas they serve.

Failure to submit the required “Community Support Statement” could restrict a member’s access to the Bank’s long-term (for this purpose defined as greater than one year) advance programs.

LEAVING THE BANK

To withdraw from the System, the member institution must provide as least five years’ written notice to the Bank. During the five-year waiting period, the member may rescind its request. Subject to certain requirements, the institution’s stock investment will be redeemed after termination of its membership. Once the institution leaves the Bank System, it may not rejoin for five years.

frequently asked questions

STRUCTURE OF THE BANK AND THE BANK SYSTEM

Q. What is the Federal Home Loan Bank of Dallas?

- A.** The Bank is a federally chartered corporation that serves and is owned by insured and regulated community-oriented lenders chartered in Arkansas, Louisiana, Mississippi, New Mexico, and Texas. The Bank provides readily available funding (known as advances) and other credit products to member financial institutions.

The Bank's primary purpose is to provide credit and other services to help members fund housing, small business, small agri-business, and economic and community development loans in their communities. Bank advances supplement local deposits as a source of funds for members. Advances also allow members to better control interest rate risk and therefore reduce the impact of interest rate volatility.

Q. What is the Bank System?

- A.** Created by Congress in 1932 to promote housing finance nationwide, the Bank System has four major components: the 12 regional Federal Home Loan Banks (District Banks), the Federal Housing Finance Board (FHFB), the Bank System Office of Finance, and the members of the District Banks.

Over the years, the System's mission has been expanded to include assistance in financing the country's urban and rural housing and community development needs.

Q. What is the Federal Housing Finance Board?

- A.** The FHFB, an independent federal agency in the executive branch of the U.S. Government, regulates the 12 District Banks and the Bank System Office of Finance. The FHFB ensures that the District Banks carry out their housing finance mission, remain adequately capitalized, are able to raise funds in the capital markets, and operate in a safe and sound manner.

Q. What is the Bank System Office of Finance?

- A.** The Bank System Office of Finance, which is funded by the 12 District Banks, issues consolidated debt, manages investments, clears securities, conducts financial planning and research, and provides support services to aid the District Banks in their financial management. The director of the Bank System Office of Finance reports to the FHFB, as well as to the 12 District Bank presidents. The consolidated bonds and discount notes sold through the Office of Finance are the joint debt obligations of all 12 District Banks.

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Q. Where are the 12 District Banks located and what geographic areas do they serve?

| A. District | Bank | States Served |
|--------------------|---------------|--|
| First | Boston | Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont |
| Second | New York | New Jersey, New York, Puerto Rico, Virgin Islands |
| Third | Pittsburgh | Delaware, Pennsylvania, West Virginia |
| Fourth | Atlanta | Alabama, District of Columbia, Florida Georgia, Maryland, North Carolina, South Carolina, Virginia |
| Fifth | Cincinnati | Kentucky, Ohio, Tennessee |
| Sixth | Indianapolis | Indiana, Michigan |
| Seventh | Chicago | Illinois, Wisconsin |
| Eighth | Des Moines | Iowa, Minnesota, Missouri, North Dakota, South Dakota |
| Ninth | Dallas | Arkansas, Louisiana, Mississippi, New Mexico, Texas |
| Tenth | Topeka | Colorado, Kansas, Nebraska, Oklahoma |
| Eleventh | San Francisco | Arizona, California, Nevada |
| Twelfth | Seattle | Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington, Wyoming, Guam, Pacific Islands |

Q. Who manages the individual District Banks?

A. Each District Bank has a Board of Directors made up of elected and appointed directors. The Bank has 11 directors that are elected by the members, and eight directors that are appointed by the FHFB. The Board selects the Bank’s president and other officers that manage the Bank on a daily basis under the Board’s supervision.

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TAXES AND ASSESSMENTS

Q. Is the Bank subject to taxation?

- A. The Bank is exempt from all federal, state, and local taxation except for real property taxes. The Bank does pay a number of assessments, however, which affect the Bank's net income and the amount the Bank pays in dividends to members. These assessments include:
- A share of the Bank System's annual assessment for debt coverage on bonds issued to fund the Resolution Funding Corporation (REFCO). This assessment is set at 20 percent of the Bank's annual net earnings
 - A share of the Bank System's annual assessment for the Affordable Housing Program. The assessment for the Bank System is equal to the greater of \$100 million or 10 percent of net income.
 - A share of the Bank System's annual assessment to cover the administrative costs of the FHFB and the Bank System Office of Finance.

STOCKS AND DIVIDENDS

Q. Does the value of Bank stock change?

- A. No. By statute, the Bank's capital stock is purchased, repurchased, and redeemed at \$100 par value.

Q. Does the Bank pay dividends on stock?

- A. Yes. The Bank normally pays a quarterly dividend prorated for the period of time during the quarter that the stock was held. In the past, the Bank has paid quarterly dividends in the form of stock, rather than cash. Since members pay taxes on dividends only when stock is redeemed for cash, they can defer taxes on Bank dividends by deferring redemption of excess stock.

Q. How does the Bank determine what the dividend rate will be?

- A. Because the Bank manages equity to minimize interest rate risk, dividends are targeted to fluctuate with the federal funds rate. This provides the Bank's members with a market rate of return. The Bank has paid the following average dividend rates during the past five years.

| | Dividend Rate | Fed. Funds Rate |
|------|----------------------|------------------------|
| 2007 | 5.21% | 5.02% |
| 2006 | 4.88% | 4.97% |
| 2005 | 3.58% | 3.21% |
| 2004 | 1.84% | 1.35% |
| 2003 | 2.24% | 1.13% |

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BORROWING FROM THE BANK

Q. What does an institution have to do to borrow from the Bank?

A. To obtain its first advance from the Bank, an institution must become a member of the bank by:

1. Completing all documents in the Membership Application Package:
 - Application for Membership
 - Master Transaction Agreement
 - Corporate Certificate of Authority
 - Advances and Security Agreement
 - Agreement for Standby Letter of Credit
 - Signature Cards
2. Completing the capital stock purchase
3. Receiving notification of borrowing capacity.
4. Pledging sufficient collateral.

contact information

APPLICATIONS

To start the application process, contact the Bank's Member Sales Group or visit us on the web:

- **800.442.9841**
- **www.fhlb.com**

For more information regarding the application process or membership requirements, please call the **Member Sales Group at 800.442.9841**

BORROWING

Members approved to begin borrowing from the Bank may do so by contacting the Member Sales Group on any business day, between the hours of 8:00 a.m. to 3:00 p.m. CST.

- **800.442.9841**

Access all of your Bank activity from the convenience of your desktop with **SecureConnect** - the Bank's confidential and secure communication channel.

FEDERAL HOME LOAN BANK OF DALLAS

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