FHLBANK DALLAS

Member driven.
Community focused.

MUNICIPAL SECURITY COLLATERAL ELIGIBILITY REQUIREMENTS

Federal Home Loan Bank of Dallas

Effective Date: November 25, 2025

Contents

Definition of Terms ***3***
Municipal Security Collateral Categories ***6***
Credit Rating Requirement *6*
Valuation Requirement *6*
Municipal Securities ***7***
Issuer Requirements *7*
Security of Payment Requirements *7*
Use of Proceeds Requirements *7*
Revenue Bonds ***8***
Issuer Requirements *8*
Use of Proceeds Requirements *8*
Housing Revenue Bonds ***9***
Issuer Requirements *9*
Use of Proceeds Requirements *9*
Student Housing Bonds ***10***
Issuer Requirements *10*
Use of Proceeds Requirements *10*
Real Estate Nexus ***11***

Definition of Terms

The defined terms below are specific to this document. For all other terms, please refer to the Member Products and Credit Policy (MPCP) available at *fhlb.com*.

DOWN PAYMENT AND CLOSING COST ASSISTANCE (AS OFFERED BY HFAs)

State Housing Finance Agencies (HFAs) offer assistance in the form of a grant or a second mortgage loan, which covers down payment and/or closing costs for low- and moderate-income, first-time homebuyers or other targeted populations. Most HFAs require that the vast majority of HFA down payment assistance programs be used in combination with a first mortgage product offered by the HFA. (Federal Deposit Insurance Corp. (FDIC) - www.fdic.gov)

FIRST-LIEN MORTGAGE PRODUCTS (AS OFFERED BY HFAs)

HFAs offer first-lien mortgage products for low- and moderate-income borrowers with low down payments, reduced interest rates and/or down payment and closing cost assistance, which they purchase from participating lenders within their states. Participating lenders are financial institutions that are approved by the HFA to offer these products to borrowers with the assurance that the HFA will purchase the mortgage at a set price. In addition to the HFA products, they may purchase conventional products from the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), and the U.S. Department of Agriculture (USDA). HFAs may offer products that serve a variety of purposes including purchase, refinance and rehabilitation. (FDIC - www.fdic.gov)

GENERAL OBLIGATION BONDS

Typically "general obligation" bonds are issued by a state or local government that pledges its full faith, credit and taxing power to pay principal and interest. General obligation bonds may be payable from general funds including income taxes or property taxes of the issuer, although the precise source and priority of payment for general obligation bonds may vary considerably from issuer to issuer depending on applicable state or local law. General obligation bonds issued by local units of government often are payable from (and in some cases solely from) the issuer's ad valorem taxes, while general obligation bonds issued by states often are payable from appropriations made by the state legislature.

General obligation bonds may require approval by voters prior to issuance. In the event of default in required payments of interest or principal, general obligation bondholders typically have certain rights to compel a tax levy or a legislative appropriation. (MSRB) - www.msrb.org)

HOUSING REVENUE BOND

A bond issued to finance multifamily housing projects or single-family home mortgages secured by the payment of the underlying mortgage loans. (MSRB) - www.msrb.org)

SINGLE-FAMILY MORTGAGE REVENUE BOND

Bonds issued to finance mortgage loans on single-family homes, either directly by purchasing newly originated or existing mortgage loans or indirectly by allowing lenders to purchase mortgage loans using bond proceeds. Such mortgage loans generally are

targeted to first-time homeowners meeting certain income and purchase price requirements. Repayment of the mortgages may be further secured by federal programs or through private mortgage insurance. (MSRB) - www.msrb.org)

- *Note: Purchase of mortgage loans also includes the purchase of mortgage-backed securities.*

MULTIFAMILY HOUSING REVENUE BOND

Bonds issued to finance construction or rehabilitation of multifamily housing projects where a specified proportion of the units will be rented to low- and moderate-income families, in some cases specifically targeted toward elderly residents. These securities may provide financing either directly or through a loans-to-lenders program, and may be secured, in whole or in part, by federal agency guarantees or subsidies. (MSRB) - www.msrb.org)

STUDENT HOUSING BOND

Bonds issued by state universities to finance or refinance the acquisition, construction, or improvement of student housing facilities, the repayment of which is secured solely by revenues derived from such facilities. These bonds shall not constitute a debt or obligation of the issuing governmental entity, the state, or any political subdivision thereof, nor shall they be backed by the full faith and credit or taxing power of any such governmental entity.

LOCAL HOUSING FINANCE AGENCIES

Organizations chartered by local government (city or county) that have the same mission and products as a State Housing Finance Agency.

MUNICIPAL SECURITIES

A general term referring to a bond, note, warrant, certificate of participation or other obligation issued by a state or local government or their agencies or authorities (such as cities, towns, villages, counties or special districts or authorities). (MSRB) - www.msrb.org)

RENTAL PROGRAMS (AS OFFERED BY HFAs)

HFAs offer a variety of programs aimed at increasing rental and multifamily development within their states by working with developers that build or rehabilitate rental housing for low- and moderate-income families. Rental programs include below market financing options for developers and/or subsidy funds allocated directly to projects. Housing tax credits allow developers to raise private equity by selling federal tax credits to investors. Some HFAs also provide rental assistance directly to borrowers in the form of vouchers. (FDIC - www.fdic.gov)

REVENUE BONDS

"Revenue bond" is the term used generally to describe a bond that is payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. The issuer of a revenue bond is not obligated to pay principal and interest on its bonds using any source other than the source(s) specifically pledged to the bond. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel taxation or legislative appropriation of funds

not pledged for payment of debt service. Pledged revenues may be derived from operation of the financed project, grants or excise or other specified non-ad-valorem taxes. Generally, no voter approval is required prior to issuance of such obligations. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on the type of issuer, type of revenue stream and other factors.

Some revenue bonds are issued by governmental agencies to fund facilities for essential public services. A bond issued by a municipal water and sewer authority, for example, typically would involve revenues obtained through local water and sewer assessments. The pledge of revenue would identify specific assessments that can be used to pay principal and interest on the bonds, the authority's responsibility and ability (if any) to raise water and sewer assessments, and any superior claim on the assessments, for example. (MSRB) - www.msrb.org)

STATE HOUSING FINANCE AGENCIES

HFAs are state chartered, nonprofit organizations that provide financing and services for affordable housing and related community development activities. Most are quasi-governmental entities that operate as financially independent organizations and are governed by a state-appointed board of directors. HFAs generally have the mission to provide funding to increase and sustain affordable rental options and homeownership opportunities, most often targeted toward low- and moderate-income renters and homebuyers and/or special populations such as first-time homebuyers, active military and veterans, police and teachers, individuals with disabilities and homeless individuals. HFAs operate in every state, as well as the District of Columbia, Puerto Rico and the Virgin Islands. (FDIC - www.fdic.gov)

STATE UNIVERSITIES

Public institutions of higher education that have been granted legal authority to borrow money by selling bonds to investors.

SECTION 8 HOUSING

Section 8 Housing means certain affordable housing projects participating in the various project-based program funded by the U.S. Department of Housing and Urban Development pursuant to 24 CFR 983 or any successor programs thereto.

Municipal Security Collateral Categories

The Federal Home Loan Bank of Dallas (FHLB Dallas) outlines all eligible collateral categories in the MPCP.

For purposes of pledging municipal security collateral to FHLB Dallas, this document refers to the following categories:

- Municipal Securities
- Revenue Bonds
    - Housing Revenue Bonds
    - Student Housing Bonds

Credit Rating Requirement

1. Municipal Security Collateral must maintain at least an AA or better rating from all nationally recognized statistical ratings organizations (NRSRO), as defined in MPCP.

Valuation Requirement

1. A daily market price must be available from the Bank's pricing services.

Municipal Securities

Municipal securities issued by state or municipal governments or their political subdivisions, other than Revenue Bonds, are subject to the following requirements.

Issuer Requirements

1. Issuer must be states or municipal governments or their political subdivisions (MPCP).
2. Issuer must be domiciled in the United States.
    - Municipal securities issued by foreign governments are not eligible.

Security of Payment Requirements

1. The security must be issued as a General obligation of the state or municipal governments or their political subdivisions, or
2. Guaranteed by the state or municipal governments or their political subdivisions, or
3. Sufficient tax revenue, with or without limit, must be included as security of payments for the municipal security.

Use of Proceeds Requirements

The bond has been or will be used to finance the acquisition, development, or improvement of real estate. Refer to the "Real Estate Nexus" section for additional details on what may qualify as a permitted use.

Revenue Bonds

Revenue bonds issued by state or municipal governments or their political subdivisions, other than Housing Revenue Bonds and Student Housing Bonds, are subject to the following requirements.

Issuer Requirements

1. Issuer must be states or municipal governments or their political subdivisions (MPCP).
2. Issuer must be domiciled in the United States.
    - Municipal securities issued by foreign governments are not eligible.

Use of Proceeds Requirements

Revenue bonds issued to finance the acquisition, development or improvement of real estate in support of essential services. Essential Services are defined as certain revenue issues that are considered fundamental to the operation of the municipality. If a security is partially real estate-related, a pro-rata real estate percentage will be applied to any pledged amount. While not an exhaustive list some examples include:

- Water and sewer/public power electric utilities bonds: Issued to finance the construction and improvement of sanitation or water utility facilities.
- Transportation revenue bonds: Issued to finance local public transportation projects, such as subway systems, rail, etc.
- Education revenue bonds: Issued to finance the construction or improvement of higher-education facilities, like public and private colleges, or help with ongoing operations.
- Hospital and health care revenue bonds: Issued to finance the construction or expansion of hospitals or health care facilities.

Exclusions: Revenue bonds issues to finance projects not considered to be an essential service, such as sporting venues. Revenue bonds where payments are secured by private enterprises and or dependent upon market forces are also excluded.

The bond has been or will be used to finance the acquisition, development, or improvement of real estate. Refer to the "Real Estate Nexus" section for additional details on what may qualify as a permitted use.

Housing Revenue Bonds

Issuer Requirements

1. The issuer must be a Housing Finance Agency, Housing Authority, Housing Development Corporation or other similar housing related entity.

Use of Proceeds Requirements

1. Eligible uses are limited to uses that fall within the definition of Single-Family Mortgage Revenue Bond or Multifamily Housing Revenue Bond promulgated by the Municipal Bond Rulemaking Board.
    - Housing Revenue Bonds whose uses fall outside the definition for a Single-Family Mortgage Revenue Bond or Multifamily Housing Revenue Bond are not considered eligible collateral.

Student Housing Bonds

Issuer Requirements

1. The issuer must be a State University.

Use of Proceeds Requirements

1. Eligible uses include finance or refinance the acquisition, construction, or improvement of student housing facilities.

Real Estate Nexus

In order to be considered eligible collateral, except for Housing Revenue Bonds, the proceeds of all other Municipal Security Collateral (including capitalized indirect "soft costs" such as architectural, development and legal fees) have been or will be used directly or indirectly to finance the acquisition, development or improvement of real estate ("Real Estate Improvements").

Acceptable uses of proceeds are listed below. Examples are provided where available.

1. Single-family housing
2. Multifamily housing
3. Public housing
4. Low- and moderate-cost housing
5. Nursing homes
6. School or school upgrades

> Proceeds of the Bonds will be used to provide funds to: (1) finance additions and renovations to the Lehighton Area Middle School of the School District; and (2) pay the allowable costs of issuing the Bonds.

7. Public facilities - means any use of land whether publicly or privately owned for transportation, utilities or communications, or for the benefit of the general public, including but not limited to medical facilities (ex. hospitals), fire or police stations, county buildings, municipal buildings and cemeteries.

> Proceeds from the sale of the Bonds will be used to construct and renovate parks within the City. In addition, a portion of the proceeds from the sale of the Bonds will be used to pay the costs of issuance of the Bonds. See "THE OBLIGATIONS - Use of Proceeds." Proceeds from the sale of the Certificates will be used to (i) construct a Police Headquarters Building, (ii) construct a Sports Complex, (iii) construct a trunk sewer main and (iv) construct various water and sewer improvements within the City. In addition, a portion of the proceeds from the sale of the Certificates will be used to pay the costs of issuance of the Certificates. See "THE OBLIGATIONS - Use of Proceeds."

8. Libraries
9. Jails
10. Park and recreational facilities

> Proceeds from the sale of the Certificates will be used for the (i) construction of an addition to and upgrading of the City's wastewater treatment plant, (ii) improvements to the City's Bay Forest Golf Course and (iii) construction of a sports complex consisting of amateur ball fields and related infrastructure within the City. In addition, a portion of the proceeds from the sale of the Certificates will be used to pay the costs of issuance of the Certificates. See "THE CERTIFICATES - Use of Proceeds."

11. Food stores

12. Land improvement

13. Acquisition of real estate

14. Highways, streets (not tied to any buildings or facilities), roads, bridges

> The Bonds are being issued at the request of the Washington State Department of Transportation pursuant to Chapter 431, Laws of 1993 (RCW 47.10.812); Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); Chapter 147, Laws of 2003 (RCW 47.10.861); Chapter 315, Laws of 2005 (RCW 47.10.873); Chapter 39.42 RCW; and Resolution Nos. 1085 and 1098 of the Committee (collectively, the "Bond Resolution") to provide funds to pay, or to reimburse state expenditures for the payment of, costs of acquiring and constructing highway and other transportation projects and to pay the costs of issuing the Bonds. See "THE 2010 TRANSPORTATION PROJECTS" and "EXPECTED APPLICATION OF BOND PROCEEDS."

15. Stormwater drainage and flood control improvement

16. Pipelines (e.g. natural gas pipelines)

17. Projects and facilities

Amount	2015A Bonds Purpose
$ 2,375,000	To finance projects and facilities for the Department of Public Safety (Public Safety Training Center)
500,000	To finance projects and facilities for the Department of Agriculture
990,000	To finance projects and facilities for the Department of Audits and Accounts

18. Public improvement projects

> The proceeds from the sale of the Bonds will be used (i) in the case of the Series FK Bonds, the Series FO Bonds and the Series FP Bonds, to finance, or to reimburse the State for, certain expenditures for public purposes for which appropriations have been made in certain Acts of the Legislature and which the Legislature may from time to time approve, and the costs of acquisition, construction, extension or improvement or various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries, and parks and for certain other public purposes; (ii) in the case of the Series FL Bonds, the Series FM Bonds and the Series FN Bonds (the "Refunding Bonds") to refund certain outstanding general obligation bonds previously issued for public purposes, as described below under "PLAN OF REFUNDING," in order to reduce the debt service payable on the State's general obligation bonds in certain years, and (iii) to pay costs of issuance of the Bonds. See "DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit" in Appendix A.

For more information, please email us at:
muni.collateral@fhlb.com