Member driven.
Community focused.

Member Products & Credit Policy

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I. Introduction

A. Background

The Bank is a cooperatively owned wholesale bank created by the Federal Home Loan Bank Act that supports housing and economic development in the communities served by its Borrowers in its five-state district. The Bank's district includes Arkansas, Louisiana, Mississippi, New Mexico, and Texas.

The Bank supports urban and rural housing, small business, small agri-business, community lending, and community development needs in its district through its Borrowers. By statute, the Bank returns 10 percent of its profits each year to the communities served by Borrowers in the form of AHP advances and grants to support community development and single and multi-family housing for very low to moderate income families and first time homebuyers.

The value of membership in the Bank includes access to readily available credit for lending or liquidity purposes, the favorable cost differential between Advances and other sources of funding, and the dividends paid on Members' and Non-Member Borrowers' investment in the Bank's capital stock. The Bank also provides its Customers with a variety of correspondent banking services. These services include securities safekeeping and securities pledging services, overnight and term deposit accounts, wire transfer services, and ACH receiving services. Regardless of size or location, Customers have access to the Bank's products and services and many of the Bank's products and services can be accessed online through SecureConnect.

The Bank is supervised and regulated by the Federal Housing Finance Agency, which is an independent agency in the executive branch of the United States government. The Finance Agency is headed by a Director, who is appointed by the President and confirmed by the Senate. The Director has broad authority to regulate the Bank. There are three Deputy Directors of the Finance Agency. The Deputy Director of the Division of the FHLBanks is responsible for the safety and soundness regulation of the FHLBanks. The Deputy Director for Housing Mission and Goals oversees the housing mission and goals and the community and economic development mission of the FHLBanks.

On April 17, 2006, the Bank's registration under Section 12(g) of the Securities Exchange Act of 1934 became effective and brought the Bank into the periodic disclosure regime as administered and interpreted by the Securities and Exchange Commission.

B. Purpose of this Member Products & Credit Policy

The purpose of this Policy is to describe the products and services offered by the Bank to its Customers and the Bank's management of those products and services. The variety of products and services described in this Policy are designed to meet the needs of the Bank's Customers. The Bank is always looking for ways to improve its existing products or services and to offer new products and services that will meet the needs of its Customers. As those modifications or new offerings are made, the Bank will update this Policy and any related Product and Service Guides.

This Policy is established by the Bank's board of directors, which reviews and re-adopts the Policy on at least an annual basis. The Policy ensures that the Bank's products and services are in compliance with the Act, the Regulations, and other applicable law. To the extent this Policy may be found to be inconsistent with any applicable law, the applicable law shall govern.

Since the Bank seeks to be flexible in meeting its Customer's needs, exceptions to this Policy will be considered on a case-by-case basis subject to the statutory requirement of equal treatment of Borrowers.

C. Definitions

All capitalized terms not defined elsewhere in this Policy shall have the respective meanings ascribed to such terms in Exhibit A of this Policy.

D. Interpretive Provisions

1. Accounting Terms

Any accounting term used in this Policy shall have, unless otherwise specifically provided in this Policy, the meaning customarily given to such term in accordance with GAAP. All financial computations in this Policy shall be computed, unless otherwise specifically provided in this Policy, in accordance with GAAP.

2. Singular and Plural

The meanings of defined terms in this Policy are equally applicable to the singular and plural forms of the defined terms.

3. References to Agreements, Guides, Policies, Circulars, Etc.

Unless otherwise expressly provided in this Policy, references to agreements, guides, policies, procedures, circulars, and any other documents shall be deemed to include all subsequent amendments, restatements, and other modifications to those documents.

4. References to Statutes and Regulations

All references in this Policy to statutes or regulations include such statute or regulation as in effect from time to time, any amendments thereto, and any successor statute or regulation.

5. Captions and Headings

The captions and headings of this Policy are for convenience of reference only and shall not affect the interpretation of this Policy.

6. Consistency with Applicable Law

The Bank's administration of this Policy will be consistent with the provisions of applicable law. This Policy is subject to change from time to time. To the extent this Policy may be found to be inconsistent with applicable law, applicable law shall govern.

II. Membership

A. General Information

1. Eligibility for Membership

Any building and loan association, savings and loan association, cooperative bank, homestead association, insurance company, savings bank, Community Development Financial Institution (including a CDFI Credit Union), Non-Federally Insured Credit Union (NFICU) or Federally Insured Depository Institution that has its principal place of business (as defined in the Regulations) in Arkansas, Louisiana, Mississippi, New Mexico, or Texas is eligible to become a Member of the Bank if it meets all of the following requirements:

- Duly Organized: The institution is duly organized under federal or state law or, in the case of a CDFI Applicant, is incorporated under State or Tribal law.
- Subject to Inspection and Regulation: The institution is subject to inspection and regulation under the banking laws, or under similar laws, of a state or the United States or, in the case of a CDFI, is certified by the CDFI Fund.
- Makes Long-Term Home Mortgage Loans: The institution purchases or originates (i) home mortgage loans with a maturity of five or more years or (ii) mortgage pass-through securities that represent an undivided ownership in (a) home mortgage loans with maturities of five or more years or (b) a security

that represents an undivided ownership interest in home mortgage loans with maturities of five or more years.

- Financial Condition: The institution's financial condition is such that Advances may be safely made to it.
- Character of Management: The character of the institution's management is consistent with sound and economical home financing.
- Home Financing Policy**:** The institution's home financing policy is consistent with sound and economical home financing.
- 10 Percent Requirement for Federally Insured Depository Institutions (other than Community Financial Institutions) and NFICUs**:** The institution has at least 10 percent of its total assets in residential mortgage loans.
- 1 Percent Requirement for applicants that are not Depository Institutions: The amount of residential mortgage assets held by insurance company applicants as of the previous year end should be equal to or greater than the lesser of (a) one percent of admitted assets or (b) $10 million. The amount of residential mortgage assets held by Nondepository CDFI applicants as of the previous year end should be equal to or greater than the lesser of (a) one percent of total assets or (b) $10 million. Applicants that are not Depository Institutions that do not meet the quantitative residential mortgage asset level tests by a minimal amount, the Bank in its discretion may consider other variables.
- Note on De Novo Applicants: A De Novo Applicant may be deemed or conditionally deemed to meet certain of the above requirements. De Novo Applicants should contact the Bank's Member Sales Group for more information.

Note on NFICU Applicants: In addition to the foregoing, the NFICU must be deemed to meet all the eligibility requirements for federal deposit insurance as of the date of the application for membership. For purposes of determining eligibility to become a Member of the Bank, the Regulations generally define an institution's "principal place of business" as the state in which the institution maintains its home office, as established in conformity with the laws under which the institution is organized.

Additionally, certain institutions may be eligible for automatic membership in the Bank if they meet applicable regulatory requirements. These institutions include Members that are Federally Insured Depository Institutions and convert from one charter type to another, institutions that transfer their membership from another FHLBank, and non-member institutions that consolidate with a Member of the Bank. These institutions should contact the Bank's Member Sales Group for more information on automatic membership.

2. Certification as Housing Associate

The Bank may make Extensions of Credit to an entity that (i) has its principal place of business in Arkansas, Louisiana, Mississippi, New Mexico, or Texas and (ii) has been certified by the Bank as a Housing Associate pursuant to 12 CFR Part 1264. The Bank may certify an Applicant as a Housing Associate if the Applicant meets all of the following criteria:

- The Applicant is approved under title II of the National Housing Act (12 U.S.C. 1707, *et seq.*).
- The Applicant is a chartered institution having succession.
- The Applicant is subject to the inspection and supervision of some Governmental Agency.
- The principal activity of the Applicant in the mortgage field consists of lending its own funds.
- The financial condition of the Applicant is such that Advances may be safely made to it.

After an entity has been certified as a Housing Associate, the Bank may periodically require the Housing Associate to provide evidence that it continues to satisfy these eligibility requirements.

Institutions seeking additional information on certification as a Housing Association and the above requirements should contact the Bank's Member Sales Group for assistance.

3. Applying for Membership or for Certification as Housing Associate

Applicants may find the Bank's membership applications on the Bank's website (www.fhlb.com), and may also obtain an application by contacting the Bank's Member Sales Group or Member Services Desk. An Applicant must complete the application appropriate for its type of institution and submit the completed application and any additional documentation required by the application to the Bank's Member Sales Group. The Bank's staff will review the application for completeness, contact the Applicant for any necessary additional information, and determine whether the Applicant meets the Bank's eligibility requirements. Once the Bank's staff has completed its review and made a recommendation regarding approval of membership or certification, it will submit the recommendation and application to the Board or its designee, which will either approve or deny the application. Once approved for membership in the Bank, the Applicant must make its required minimum stock purchase (described in more detail in Section III.B.1 below) within the 60-day period following approval of its application.

4. Documentation Requirements

a. Membership Agreements

Before a Member or Housing Associate may obtain Extensions of Credit from the Bank, the Member must execute the Bank's Advances and Security Agreement (along with any appropriate addenda), Master Transactions Agreement, and Corporate Certificate of Authority. Additionally, a Member or Housing Associate must complete the Bank's Confirmation regarding compliance with the federal banking agencies' *Interagency Guidance on Nontraditional Mortgage Product Risk* (issued October 4, 2006) and *Subprime Mortgage Lending* (issued July 10, 2007) before obtaining any Extensions of Credit secured by residential mortgage loans. Related documentation requirements, described elsewhere in this policy, are applicable to Privately-issued Residential Mortgage-Backed Securities issued after July 10, 2007. A Member or Housing Associate must complete the Bank's Agreement for Standby Letter of Credit Advances/Confirmation before it may obtain a Standby Letter of Credit or Confirmation from the Bank and must complete the Bank's Agreement for FHLB Advance with Optionality before it may obtain an Advance with Optionality. A Member must execute the ISDA Master Agreement, the Bank's Schedule to the ISDA Master Agreement, and the Bank's Corporate Certificate of Authority before it may enter into an interest rate derivatives transaction with the Bank.

b. Signature Cards

New Members and Housing Associates must submit to the Bank a signature card related to Advances, Collateral, DDA, Safekeeping, and Wire Transfer, as applicable, designating authorized individuals for each of these activities. Members that desire to enter into interest rate derivatives transactions with the Bank must submit to the Bank a separate signature card related to these activities. The Bank in its discretion may from time to time require additional or updated signature cards. From time to time, Customers should review the signature card(s) they have on file with the Bank and make appropriate updates. Copies of the signature cards and instructions for completing them can be found on the Bank's website (www.fhlb.com) and can be obtained from the Bank's Member Services Desk.

c. SecureConnect Access Request

In order to access SecureConnect, new Members and Housing Associates must request access using the Bank signature card. The FHLB Services Dallas Services Signature Card can be found on the Bank's website (www.fhlb.com) and can be obtained from the Bank's Member Services Desk.

d. Guides, Policies, Circulars, Bulletins, Etc.

Customers are subject to the terms and conditions established by the various guides, policies, circulars, bulletins, and other similar documents published by the Bank from time to time. Copies of these documents

can be found on the Bank's website (www.fhlb.com) and can be obtained from the Bank's Member Services Desk.

5. Community Support Requirements

Every two years, the Finance Agency is required to conduct a community support review of each Member. Members selected for a review are required to submit to the Finance Agency a completed Community Support Statement ("CSS") that includes information on the member's most recent Community Reinvestment Act ("CRA") rating (if applicable), information concerning assistance to first-time home buyers and any other information requested by the Finance Agency. Members selected for the community support review will be notified by the Bank of the need to submit a CSS to the Finance Agency; at the same time, the Bank will send a notice of the review to its Advisory Council, and to interested nonprofit housing developers, community groups and other interested members of the public.

A Member failing to meet some or all of the standards set forth in the Regulations may be placed by the Finance Agency on probation or restricted from accessing long-term Advances (advances with a term to maturity greater than one year), the AHP and other CICA Programs.

A Nondepository CDFI Member shall be deemed to be in compliance with the community support requirements by virtue of the Member's certification by the CDFI Fund as a CDFI, and is not subject to periodic review.

B. Capital Stock

The following summarizes the major provisions of the capital stock requirements of the Bank's Capital Plan, but does not include all of the Plan's terms. Members should refer to the Capital Plan itself, which is available on the Bank's website (www.fhlb.com), for more detail on each provision.

1. Minimum Investment Requirements

The Capital Plan requires Members to maintain a minimum investment in Class B Stock equal to the sum of (i) a membership investment requirement that is equal to a certain percentage of the Member's total assets, as set forth in the Capital Plan (and subject to a minimum and maximum amount), and (ii) an activity-based investment requirement based on a certain percentage of the Member's outstanding advances and of certain outstanding balances of AMA, if any, as set forth in the Capital Plan. Pursuant to the Capital Plan, the Board may adjust these percentages and amounts from time to time to ensure the Bank maintains compliance with its minimum capital requirements established by the Act and Regulations.

2. Dividends

The Bank generally pays dividends quarterly on the average balance of Class B Stock held during the prior quarter, or as otherwise may be determined at the discretion of the Board, after the close of the calendar quarter to which the dividend pertains and the earnings for that quarter have been calculated. In accordance with the Capital Plan, the Board may declare dividends to be paid in the form of capital stock or cash, at rate(s) determined by the Board. The Bank generally pays dividends in the form of capital stock, issued in full shares with any fractional shares paid in cash.

The Bank is permitted by the Act and Regulations to pay dividends only from previously retained earnings or current net earnings. In addition, pursuant to the Regulations, the Bank may not declare or pay any dividends in the form of capital stock if, following the payment of the dividends, Members' holdings of Excess Stock would be greater than 1 percent of the Bank's total assets.

3. Redemption and Repurchase

In accordance with the Act, the Regulations and the Capital Plan, Members may redeem Excess Stock, or withdraw from membership and have all of their outstanding stock redeemed, with five years' written notice, provided certain conditions exist at the end of that period. The Regulations also allow the Bank, in its discretion,

to repurchase Excess Stock at any time without regard for the five-year notice period.

A Member wishing to redeem excess Class B Stock may do so by submitting a written redemption notice to the Bank. The redemption notice must identify the shares to be redeemed by date of issuance and amount and Members may not have more than one redemption notice in effect at any one time for the same shares of Class B Stock. If the redemption notice fails to identify the particular shares to be redeemed, the Member shall be deemed to have requested redemption of the most recently issued shares that are not already subject to a pending redemption request.

Only Class B Stock that is Excess Stock at the end of the five-year redemption notice period will be redeemed. The Bank may not redeem Class B Stock if certain conditions are not met at the time of redemption, including among others, that the Member must be in compliance with its minimum investment requirement and the Bank must be in compliance with all of its minimum capital requirements following the stock redemption.

A Member may cancel a redemption notice prior to maturity by submitting a written cancellation notice to the Bank. Redemption cancellation notices are subject to cancellation fees calculated as a percentage (ranging from 0 to 5 percent) of the par value of the shares of Class B Stock subject to the redemption cancellation notice, as provided in the Capital Plan.

The Bank may, in its sole discretion, repurchase Excess Stock at any time without regard for the five-year redemption period related to stock redemptions and has established a practice of periodically repurchasing a portion of Members' Excess Stock to avoid the accumulation of large amounts of Excess Stock. The Bank may also repurchase Excess Stock at the request of a Member, but the decision to repurchase Excess Stock rests with the Bank and cannot be compelled by a Member. The Bank will provide Members at least fifteen days' notice of its intent to repurchase Excess Stock.

C. Corporate Changes

1. Mergers, Acquisitions, Purchases and Assumptions, Consolidations

Customers must notify the Bank's Member Services Desk at least thirty days in advance of any merger, acquisition, purchase and assumption, or other consolidation involving the Member, and may be required to provide to the Bank copies of related documents, including without limitation the agreements governing the transaction, charter amendments, and any regulatory approvals. Customers must also complete and submit to the Bank the Bank's Merger/Acquisition Questionnaire, which may be found on the Bank's website (www.fhlb.com) or obtained through the Bank's Member Services Desk. Additionally, in the case of a merger or consolidation, the surviving entity must re-confirm the signing authorities of any authorized individuals of the disappearing institution following the consolidation by submitting a fully executed Corporate Certificate of Authority and new signature card(s). Should a Member merge or consolidate with (a) another Member and fail to re-confirm the signing authorities of any or all authorized individuals of the disappearing institution following consolidation, the signing authorities of such individuals will be suspended until the Bank receives the necessary information and documentation or (b) a non-member institution and fail to re-confirm the signing authorities of any or all authorized individuals of the Member, the non-member institution's access to the Bank's products will be suspended until the Bank receives the necessary information and documentation.

If a Member merges or consolidates with another Member, the surviving entity's membership in the Bank will continue and the disappearing institution's Extensions of Credit may be transferred to the surviving Member or prepaid, in accordance with the Bank's prepayment policy. In the case of consolidation of a Member into a non-member institution, the surviving non-member entity may submit an application to become a Member and keep current Extensions of Credit outstanding or may enter into an agreement with the Bank providing for the liquidation of the acquired institution's indebtedness to the Bank. If the successor does not become a Member of the Bank and the former Member has outstanding any indebtedness to or business transactions with the Bank, the successor will be required to hold stock of the Bank in an amount sufficient to support those obligations or business transactions so long as they remain outstanding.

2. Change in Location or Name

A Customer must notify the Bank's Member Services Desk at least thirty days in advance of any changes in the location of its main office or of its name, and must provide to the Bank copies of related documentation, including charter amendments and regulatory approvals. The Customer should also complete the Bank's Notification of Changes to Member Information Form, which may be found on the Bank's website (www.fhlb.com) or obtained through the Bank's Member Services Desk.

D. Adverse Event Notification

A Customer must notify the Bank's Member Services Desk within 3 days of any event that may significantly affect the value of Collateral pledged to the Bank or the ability of the Customer to repay Advances or other obligations to the Bank.

E. Termination and Withdrawal of Membership

As provided in the Bank's Capital Plan and applicable Regulations, a Member may terminate its membership in the Bank by voluntarily withdrawing its membership, or may have its membership terminated as a result of its consolidation into another Member or a non-member institution, or by action of the Board. A former Member whose membership has been terminated for any reason will not be eligible to become a Member of the Bank or any other FHLBank for a period of five years following the later of the date its membership was terminated and all of its stock was redeemed or repurchased. A Member may voluntarily withdraw from membership in the Bank by providing five (5) years' written notice, in which case the withdrawal notice will also serve as a stock redemption notice triggering the five-year stock redemption period. If a Member's membership is terminated as the result of consolidation into another entity or as a result of action by the Board, the five-year stock redemption period will begin upon termination of membership.

F. Other Limitations on Access to Bank Products and Services

The Bank is required by the Bank Secrecy Act and implementing regulations to maintain an effective anti-money laundering program. As part of this program, the Bank requires that, as a condition for receiving credit from the Bank or using Bank services, each Member shall maintain effective anti-money laundering controls designed to prevent the use of the Bank's products and services to facilitate money laundering, the funding of terrorists, fraud, or other criminal activity.

III. Extensions of Credit

A. Description of Credit Products

1. Advances

a. Types of Advances

(i) ***Fixed or Floating Rate***

The Bank offers Advances with interest rates that are fixed and/or floating for the term of the Advance. The interest rate of a floating rate Advance adjusts on designated interest rate reset dates based on indexes such as 4, 9, 13 and 26 week DN Rates and SOFR. The interest rate of a floating rate Advance may include a positive or negative spread to the index rate.

(ii) ***Term***

The Bank offers Advances with maturities ranging from overnight to thirty years (forty years for CICA Advances). Also, an Advance can be nonamortizing (with all principal payable at maturity) or amortizing

(with principal payable in accordance with an amortization schedule requested by the Borrower).

(iii) *Options*

The Bank offers Advances that include one or more of the following: (a) an option(s)for the Bank to terminate the Advance at specified points in time (a "putable Advance"); (b) an option(s) for the Member to terminate the Advance at specific points in time without a prepayment penalty; or (c) an option(s) for the Bank to convert certain original terms of the Advance to different terms at specified points in time (a "convertible Advance").

Borrowers can request that an Advance be designated as prepayable, which means that the Borrower can prepay the Advance without a prepayment fee after a specified lockout period. The Bank charges a market-determined fee for the right to prepay an Advance, which fee is incorporated into the interest rate of the Advance. Prepayment of Advances is discussed in more detail below in Section III.A.1.e.iii and in Exhibit B of this Policy.

Insurance company Members can request Bank approval for an Advance to be structured as a funding agreement subject to the Bank's internal product parameters, provided the Member obtains prior approval of such structure from its Appropriate Regulator.

In addition to the general characteristics and options of the Bank's Advances discussed above, the Bank makes available to Borrowers a variety of customized Advance structures that may not be specifically described on SecureConnect or on the Bank's public website (www.fhlb.com).

(iv) *CICA Advances*

The Bank offers various CICA Advances, which are Advances designed to provide Borrowers with low-cost funds to assist with community lending and development targeted to benefit certain individuals or organizations. Advances under the Bank's AHP and CIP programs are available only to Members and are not available to Housing Associates and State Housing Finance Agencies.

The Bank offers Subsidized Advances through its AHP. Members may submit applications for Subsidized Advances during funding periods established by the Bank in the Implementation Plan, as discussed in Section VI.A.3 of this Policy. The Bank offers Advances under the CIP, EDP, and Disaster Relief Program, subject to the pricing and terms discussed below and in Section VI of this Policy. CIP and EDP Advances are available to Members and Borrowers, as applicable, throughout the year. Disaster Relief Program Advances are available to Borrowers for a period designated by the Bank following a federally declared disaster in the District.

CIP Advances, EDP Advances and Disaster Relief Program Advances are available in terms ranging from three months to forty years. CICA Advances must be used to fund the Member's or Borrower's, as applicable, financing to the underlying borrower or project and the term of the CICA Advance cannot exceed the term of any financing that the Member or Borrower, as applicable, is making to the underlying borrower or project. The EDP Advance, the CIP Advance or the Disaster Relief Program Advance can be fixed rate or floating rate, amortizing or nonamortizing.

Descriptions of the Bank's CICA programs and more information regarding CICA Advances can be found in Section VI of this Policy.

b. Commitments

Borrowers may request future funding for certain Advances at current Advance rates by utilizing mandatory commitments. Commitments are also available for CICA Advances. Borrowers may request an Advance commitment by contacting the Member Services Desk. Additional information regarding commitments (including any applicable fees) is provided below.

The Bank's obligation to release funds on Advance commitments is subject to the continued eligibility of the Borrowers for Advances, as determined by the Bank under applicable law and as discussed below under "Requesting an Advance." If a Borrower's access to Advances from the Bank is restricted for any reason, the Bank will not fund outstanding commitments for Advances.

c. Requesting an Advance

Prior to the approval of any Advance request and disbursement of Advance funds, each Borrower requesting an Advance must have a fully executed Corporate Certificate of Authority, Signature Card granting Advances authority, and a fully-executed acceptable version of the Bank's borrowing agreement applicable to that Borrower on file with the Bank.

All information provided to the Bank by a Borrower — including any Regulatory Examination Reports or Regulatory Financial Reports submitted by Members to the Bank, the Finance Agency, or an Appropriate Regulator — may be reviewed by the Bank when considering each request for an Advance. Borrowers should be aware of the representations and warranties in their borrowing agreements with the Bank regarding the continuing truth and accuracy of information submitted to the Bank, and the possible contractual consequences of the breach of such representations and warranties.

(i) *Through SecureConnect*

Borrowers may request Advances through SecureConnect, provided that the Bank has not determined that the Borrower is a "restricted member," as discussed in Section III.B.2.d of this Policy.

Prior to requesting Advances through SecureConnect, a Borrower must have an executed SecureConnect Access Request Form on file with the Bank and must have received from the Bank the necessary materials for the Borrower to access SecureConnect. Instructions entered for executing Advances through SecureConnect are electronically recorded, stored, and archived to provide for future review and verification. Before an Advance is actually transacted, Borrowers must verify through SecureConnect the terms of the Advance to ensure that the terms are correct. The Bank will provide the Borrower through SecureConnect a confirmation of the Advance, reflecting the terms of the Advance. Advance proceeds will be credited to the Borrower's DDA.

(ii) *Through the Member Services Desk*

Borrowers may request Advances through the Member Services Desk by telephone. Instructions from the Borrower for executing Advances by telephone are electronically recorded, stored, and archived to provide for future review and verification. Borrowers must verify with the Member Services Desk the terms of the Advance to ensure that the terms are correct and are properly recorded for audit purposes. The Bank will provide the Borrower through SecureConnect a confirmation of the Advance, reflecting the terms of the Advance and the Bank will mail or fax the Borrower a confirmation of the Advance. Advance proceeds will be credited to the Borrower's DDA. It is the Borrower's responsibility to verify timely the terms of any confirmation mailed or faxed to the Borrower.

Requests for mandatory commitments and Advances with Optionality can only be requested through the Member Services Desk by telephone and cannot be requested through SecureConnect.

(iii) *Through an Advances Auction*

From time to time, the Bank also offers Advances through an auction format. Advances auctions provide Borrowers the opportunity to determine the interest rate of an Advance subject to a minimum interest rate set by the Bank. The Bank provides details regarding Advances auctions, such as the types of Advances offered, the maximum amount of Advances offered and the interest rate threshold, on either SecureConnect or on the Bank's public website (www.fhlb.com).

(iv) *Through a Written Application*

Borrowers can only request CICA Advances by submitting a written application to the Bank. Applications for Subsidized Advances through the AHP are only available during funding periods established by the Bank in the Implementation Plan, as discussed in Section VI.A.3 of this Policy. Disaster Relief Program Advances can only be requested for a period designated by the Bank following a federally declared disaster in the District. Borrowers can access applications for CICA Advances through the Bank's public website (www.fhlb.com) or by contacting the Member Services Desk or the Bank's Community Investment Department.

d. Pricing

(i) *Generally*

The Bank prices Advances at or above the marginal cost of raising funds by issuing Consolidated Obligations in the marketplace, adjusted for (i) the cost of any embedded options, (ii) the administrative costs associated with making Advances and (iii) the operating costs associated with making Advances. Borrowers may obtain current Advance interest rates by contacting the Member Services Desk; the Bank also posts most but not all of its current Advance interest rates on its public website (www.fhlb.com) and on SecureConnect. The Bank may offer differentially priced Advances, provided that the standards and criteria for such differentially priced Advances will be applied without discrimination to any Borrower applying for Advances.

(A) Standard

Generally, Advances not executed electronically through SecureConnect (*i.e.*, executed by telephone through the Member Services Desk) are made at the interest rate charged under the Bank's standard Advances pricing criteria.

(B) SecureConnect

Generally, Advances executed electronically through SecureConnect have a lower Advance interest rate relative to the Bank's standard Advances. The automated execution and processing incorporated into the SecureConnect network reduce the Bank's operating cost for these transactions, and therefore, allow the Bank to offer lower interest rates.

(C) CICA Advances

CICA Advances are made at interest rates below the Bank's standard and SecureConnect interest rates for Advances of comparable maturities, and may be made at the Bank's cost of funds or, in certain circumstances for specified purposes, below its cost of funds.

(D) Differential Pricing

Subject to the above pricing framework, and with the approval of the Bank's Asset/Liability Committee (ALCO), the Bank may offer differentially priced Advances based on:

- Borrower creditworthiness,
- Volume,
- Size of Transaction,
- Advance maturity, or
- Other reasonable criteria applied consistently to all Borrowers.

Information regarding differential pricing will be available to all Borrowers on SecureConnect.

(ii) *Commitment Fees*

Borrowers may request future funding for certain Advances at current Advance rates by utilizing mandatory commitments. Commitments are also available for CICA Advances.

(A) Mandatory Commitments

A Borrower requesting a mandatory commitment is guaranteed an Advance interest rate established on the approval date of the commitment for a future Advance. The Borrower specifies, at the time of the commitment, the term and type of Advance that will be required and the length of the commitment period during which the Advance interest rate will be guaranteed.

The Bank calculates and charges a mandatory commitment fee based on its cost of carry *if* the Bank were to issue matched maturity liabilities in the marketplace to fund the requested Advance. To determine the mandatory commitment fee, the Bank determines the then-current (i.e., as of the date the commitment is requested) market yield for an interest rate swap with the same cash flows and maturity as the requested Advance. Then, the Bank determines the market yield for that interest rate swap as of the Borrower's requested forward date for the Advance. The difference in market yield, if positive, is then charged to the Borrower. In no event will the mandatory commitment fee be less than zero. The mandatory commitment fee may be paid as an upfront fee at the time the commitment is requested or the fee may be incorporated into the interest rate of the Advance.

If the Borrower cancels the Advance commitment in whole or in part, the Bank will charge the Borrower a cancellation fee equal to any prepayment fee that would have applied had the Bank funded the Advance and the Borrower had then immediately prepaid the Advance plus 25 basis points for each year of the advance term multiplied by the balance of the advance. Also, the Bank will not refund any commitment fee already paid by the Borrower, and the Borrower will be liable for any unpaid commitment fee.

(B) CICA Commitments

The Bank will guarantee the current CICA Advance interest rate for a qualified future CICA Advance upon payment by the Borrower of a commitment fee. The Bank will from time to time establish the commitment fees for CICA Advances, which commitment fees may differ depending on whether the commitment is mandatory or optional or based on the term of the commitment. For CICA Advances, the project must have required funding in the past 3 months or must require funding within 3 months from the date of the commitment. If funding for a project has closed prior to issuance of a CICA Advance commitment, the commitment expiration date will be 3 months after the project closing date (or such earlier date as requested by the Borrower). For a Disaster Relief Program Advance, the commitment must be requested within a period designated by the Bank following a federally declared disaster in the District.

e. Payments

(i) *Principal*

For nonamortizing Advances, principal is paid at maturity. For amortizing Advances, principal payments match a predetermined amortization schedule. Amortization schedules may last up to forty (40) years for CICA Advances and up to thirty (30) years for all other Advances. The Bank debits scheduled principal payments monthly from the Borrower's DDA on the first Business Day of the month. If the stated maturity date is not a Business Day, then principal will be payable on and interest will accrue through the first Business Day following the stated maturity date.

(ii) *Interest*

Accrued interest for an Advance with a term of 35 days or less is debited at maturity. Otherwise, interest is due monthly and upon maturity of an Advance unless otherwise agreed to at the time of borrowing. Interest payments on outstanding Advances are debited monthly from the Customer's DDA on the first Business Day of the month for the amount accrued through the last day of the previous month. If the stated maturity date of an Advance is not a Business Day, then interest will be payable through and debited on the first following Business Day.

(iii) ***Prepayment of Advances***

The Prepayment Fee Policy in Exhibit B applies to Advances granted or renewed on or after December 14, 2006. For Advances made prior to December 14, 2006, the Bank will allow Customers to use the prepayment policy in Exhibit B or the prepayment policy that was in effect at the time the Advance was granted. Customers should consult a prior version of this Policy or contact the Member Services Desk directly to obtain prepayment policies and fees applicable to Advances made prior to December 14, 2006. However, for prepayments under prior versions of the policy that include using the U.S. Agency Fair Market Curve for prepayment calculations, the Bank will substitute a comparable curve, the FHLBank System Consolidated Obligations curve. The vendor that maintained the U.S. Agency Fair Market Curve discontinued it in May 2014. Should the FHLBank System Consolidated Obligations curve be discontinued at a future date, the Bank reserves the right to substitute a comparable curve in calculating prepayment fees. Prepayment fees are due and payable on the date the Advance is prepaid.

Generally, when a Customer prepays an Advance, the Bank charges the Customer a prepayment fee that makes the Bank financially indifferent to the Customer's decision to repay the Advance prior to its maturity date. Except for the prepayment of an advance with a symmetrical prepayment feature, in no event will the prepayment fee be less than zero. The total amount paid to the Bank by the Customer (except for the prepayment of an advance with a symmetrical prepayment feature) will be equal to or greater than the remaining outstanding principal balance and any accrued and unpaid interest and other amounts, if any, contractually payable pursuant to the provisions of the applicable Advance or the Bank's borrowing agreement applicable to that Customer.

Please see Exhibit B of this Policy for explanations and examples of the Bank's prepayment fee calculations.

f. Transfers of Advances

While the Bank generally does not permit one Member to assume an Advance obligation of another Member, in the case of mergers and acquisitions or when both parties are members of the same holding company, the Bank may allow the transfer of Advances. The Bank, in its sole discretion, reserves the right to reject the transfer of any Advance.

2. Standby Letters of Credit and Confirmations

The Bank issues Standby Letters of Credit and Confirmations on behalf of Borrowers for a variety of purposes. At the time the Bank issues a Standby Letter of Credit or Confirmation and at all times thereafter, a Borrower must have an amount of Qualifying Collateral sufficient to fully secure the amount of the Standby Letter of Credit or Confirmation being issued. Fees for Standby Letters of Credit are set by evaluating competing sources of similar credit enhancements and issuance costs.

a. Purposes for which Letters of Credit and Confirmations May Be Issued

(i) ***Regulatory Restrictions***

(A) Members and Housing Associates

The Regulations authorize the Bank to issue Standby Letters of Credit and Confirmations on behalf of its Members and Housing Associates for any of the following purposes:

(1) To assist Members and Housing Associates in facilitating residential housing finance;
(2) To assist Members and Housing Associates in facilitating community lending;
(3) To assist Members and Housing Associates with asset/liability management; or
(4) To provide Members and Housing Associates with liquidity or other funding.

(B) State Housing Finance Agencies

The Regulations authorize the Bank to issue Standby Letters of Credit and Confirmations on behalf of its State Housing Finance Agencies for the purpose of facilitating residential or commercial mortgage lending that benefits individuals or families meeting the income requirements in section 142(d) or 143(f) of the IRC.

(ii) *Types of Business Transactions*

The Bank issues Standby Letters of Credit and Confirmations for a variety of business transactions. The following are just some of the examples of those business transactions:

- For residential housing finance;
- For community lending that is eligible for any of the Bank's CICA programs;
- As collateral for public unit deposits;
- As collateral for obligations arising pursuant to an interest rate swap, interest rate exchange, interest exchange, or such other comparable agreement;
- As credit support for taxable bonds;
- As credit support for tax-exempt bonds where Section 149 of the IRC specifically authorizes a debt instrument to be federally guaranteed while maintaining its tax-exempt status;
- During the period beginning on July 30, 2008 and ending on December 31, 2010, as credit support in connection with the original issuance of tax-exempt bonds; and
- As credit support for other financial obligations.

(iii) *Support of Tax-Exempt Bonds, Notes, Debentures*

A Borrower applying for a Standby Letter of Credit or Confirmation to be issued by the Bank in connection with the issuance of a tax-exempt bond where Section 149 of the IRC specifically authorizes a debt instrument to be federally guaranteed while maintaining its tax-exempt status shall provide the following documentation to the Bank and any additional documentation the Bank may request:

- Trust Indenture;
- Tax Exemption Agreement;
- Tax Regulatory Agreement;
- Offering Document;
- Bond Purchase Agreement;
- Remarketing Agreement;

- Specimen Irrevocable Letter of Credit;
- Credit Facility and Reimbursement Agreement;
- Opinion of Bond Counsel; and
- Opinion of Issuer Counsel.

b. Terms of a Letter of Credit or Confirmation

Samples of the Bank's Forms of Standby Letter of Credit and Confirmation are available on the Bank's website (www.fhlb.com). Generally, a Standby Letter of Credit or Confirmation issued by the Bank will be issued with the terms and conditions set forth in the Forms and provide the dollar amount, the Borrower's information, the Beneficiary's information, and the term of the Standby Letter of Credit or Confirmation, as applicable.

(i) *Direct or Custodial*

There are two Forms of Standby Letter of Credit on the website (www.fhlb.com). One Form of Standby Letter of Credit is issued directly to the Beneficiary. The second Form of Standby Letter of Credit is issued for the benefit of the Bank, as a custodian for public unit depositors. A Member wishing to utilize this custodial Standby Letter of Credit may enter into a tri-party Agreement to Secure Public Unit Deposits with the public unit depositor and the Bank.

(ii) *Term*

Typically, a Borrower will request that the Bank issue the Standby Letter of Credit or Confirmation with a term equal to the term of the Borrower's underlying obligation to the Beneficiary. In no case, will a Standby Letter of Credit or Confirmation be issued for a term exceeding fifteen years. Once issued, a Standby Letter of Credit or Confirmation will remain in effect until the stated termination date, unless all parties, including the Beneficiary, agree in writing to an earlier termination.

c. Requesting a Letter of Credit or Confirmation

(i) *Agreement for Standby Letter of Credit Advances/Confirmation*

Before requesting the Bank issue a Standby Letter of Credit or Confirmation, a Borrower must execute the Bank's Form of Agreement for Standby Letter of Credit Advances/Confirmation. The Agreement for Standby Letter of Credit Advances/Confirmation sets forth the terms and conditions under which the Bank will issue Standby Letters of Credit and Confirmations. The Borrower's reimbursement obligations are described below and in the Agreement for Standby Letter of Credit Advances/Confirmations.

(ii) *Applications*

Each time a Borrower requests the issuance of a Standby Letter of Credit or Confirmation it must execute an application for such Standby Letter of Credit or Confirmation. The Bank has two forms of applications: an Application for Standby Letter of Credit Advance/Confirmation and an Application for Standby Letter of Credit/Advances to Secure Deposits of Multiple Public Units. These forms are available on the Bank's website (www.fhlb.com). In addition, there are multiple versions of the Application for Standby Letter of Credit Advance/Confirmation depending on the specific features of the Standby Letter of Credit or Confirmation being requested.

(A) Application for Standby Letter of Credit Advance/Confirmation

A Borrower should use this form when it is requesting the Bank issue a direct Standby Letter of Credit or Confirmation. In this application, the Borrower will provide the business terms of the Standby Letter of Credit or Confirmation such as the dollar amount, the term, the Beneficiary's information, the Borrower's information, the date that the Borrower executed the Agreement for Standby Letter of Credit Advances/Confirmation, and the letter of credit information if the Bank is issuing a Confirmation. In addition, the Borrower will provide a representation and warranty as to the purpose for which the Standby Letter of Credit or Confirmation is being issued.

(B) Application for Standby Letter of Credit/Advance to Secure Deposits of Multiple Public Units

A Borrower should use this form when it is requesting the issuance of a custodial Standby Letter of Credit that will be used to secure public unit deposits. In this application, the Borrower will provide the business terms of the Standby Letter of Credit or Confirmation such as the dollar amount, the term, and the date that the Borrower executed the Agreement for Standby Letter of Credit Advances/Confirmation. This application also serves as an application by the Borrower to the Bank with respect to any Renewal Letter of Credit (as defined in the application).

d. Renewal of a custodial Letter of Credit

In the case of custodial Standby Letters of Credit, on the stated termination date, the Bank may, but has no obligation to, either (i) extend such custodial Standby Letter of Credit or (ii) issue to the Beneficiary a new custodial Standby Letter of Credit to replace the expiring custodial Standby Letter of Credit. The term of such replacement custodial Standby Letter of Credit will be equal to the term of the original custodial Standby Letter of Credit. If the Bank elects to extend or issue a renewal or replacement letter of credit, any applicable fees will be charged to the Borrower's DDA.

e. Pricing of Letters of Credit and Confirmations

Fees for Standby Letters of Credit and Confirmations are set by evaluating competing sources of similar credit enhancements and issuance costs. Standby Letters of Credit or Confirmations that facilitate projects under the Bank's CICA program are provided special consideration in accordance with the Regulations. Funded drafts will be deemed a request for an Advance by the Borrower in an amount equal to the amount of the draft; provided that absent an instruction from the account party for the Letter of Credit or Confirmation (*i.e.*, the Borrower) such request for an Advance will be deemed to be a request for a one-day Advance to be rolled over daily until the Borrower instructs the Bank otherwise. A description of the Bank's most common fees follow below, for details regarding current pricing and all relevant fees, please visit the Bank's website (www.fhlb.com).

(i) *Issuance Fees*

The issuance fee for Standby Letters of Credit (other than Fluctuating Balance Letters of Credit or Custodial Fluctuating Balance Letters of Credit) and Confirmations is the greater of (i) $125 or (ii) an amount equal to (A) the product of (1) the dollar amount of the Standby Letter of Credit or Confirmation, as applicable, multiplied by (2) the number of days in the term of the Standby Letter of Credit or Confirmation, as applicable, and multiplied by (3) a designated number of basis points, then (B) divided by 365. Issuance fees are due and owing at the time of the issuance of the Standby Letter of Credit or Confirmation, as applicable, and will be charged to the Borrower's DDA at such time. The issuance fee is nonrefundable regardless of whether the Standby Letter of Credit or Confirmation is terminated prior to its stated termination date or a draft is presented prior to the expiration of the Standby Letter of Credit or Confirmation.

If the Bank receives an application for a Standby Letter of Credit or a Confirmation after 3:30 p.m. central time (including an application to renew an expiring Standby Letter of Credit or Confirmation) and the Borrower requests that the Bank issue the Standby Letter of Credit or Confirmation on the same day, the Bank will charge the Borrower an additional $250 fee. The $250 fee will be in addition to the standard

issuance fees, processing fees, and funding fees charged for Standby Letters of Credit and Confirmations, as applicable.

(ii) *Utilization Fees*

Fluctuating Balance Letters of Credit and Custodial Fluctuating Balance Letters of Credit are charged a utilization fee instead of an upfront issuance fee.

The utilization fee for Fluctuating Balance Letters of Credit is payable quarterly in arrears and is calculated as follows (i) the actual number of days in the preceding calendar quarter over a year of 365 days, multiplied by (ii) a designated number of basis points and multiplied by (iii) the average daily amount of collateral the Member was required (either by law or contract) to hold as security for the public unit depositor's funds on deposit with Member during the preceding quarter as certified to the Bank by the Borrower, provided that, if no certification or supporting documentation is submitted by the Borrower by the agreed upon deadline, then the Bank will use the notional dollar amount of the Fluctuating Balance Letter of Credit. Utilization fees are due and payable on the fifth Business Day following the end of each quarter during the term. If the final expiration date of the Fluctuating Balance Letter of Credit occurs prior to the end of a calendar quarter, then quarterly fees for the portion of the quarter prior to expiration date will be due and payable on the fifth Business Day following the final expiration date of the Fluctuating Balance Letter of Credit.

The utilization fee for a Custodial Fluctuating Balance Letter of Credit is payable quarterly in arrears and is calculated as follows (i) the actual number of days in the preceding calendar quarter over a year of 365 days, multiplied by (ii) a designated number of basis points and multiplied by (iii) the average daily amount of collateral the Member was required (either by law or contract) to hold as security for the public unit depositors' funds on deposit with Member being collateralized by the letter of credit during the preceding quarter as certified to the Bank by the Borrower, provided that, if no certification or supporting documentation is submitted by the Borrower by the agreed upon deadline, then the Bank will use the average daily amount of the Custodial Fluctuating Balance Letter of Credit allocated as collateral for public unit deposit accounts during the preceding quarter. Utilization fees are due and payable on the fifth Business Day following the end of each quarter during the term. If the final expiration date of the Custodial Fluctuating Balance Letter of Credit occurs prior to the end of a calendar quarter, then quarterly fees for the portion of the quarter prior to expiration date will be due and payable on the fifth Business Day following the final expiration date of the Custodial Fluctuating Balance Letter of Credit.

(iii) *Processing Fees*

A Borrower requesting a Confirmation to be issued as credit support or otherwise in connection with a taxable or tax-exempt bond transaction will be charged a processing fee. Processing fees are due and owing at the time of application for issuance of the Confirmation and will be charged to the Borrower's DDA at such time. The processing fee is nonrefundable regardless of whether the Confirmation is terminated prior to its stated termination date or a draft is presented prior to the expiration of the Confirmation. If the Borrower renews the Confirmation, the Borrower will be charged a processing fee for such Confirmation as set forth on the Bank's website (www.fhlb.com) and in the Advances Products Guide, as in effect from time to time.

(iv) *Funding Fees*

On the date of payment to the Beneficiary by the Bank on a Standby Letter of Credit or Confirmation, as applicable, a funding fee equal to one percent of the amount paid by the Bank on the Standby Letter of Credit or Confirmation, as applicable, will be due and owing and will be charged to the Borrower's DDA.

f. Funding a Standby Letter of Credit or Confirmation

Generally, the Bank does not anticipate that a Standby Letter of Credit or Confirmation will be drawn on. However, if a Beneficiary does draw on a Standby Letter of Credit or Confirmation, the Beneficiary will have

to satisfy the documentary requirements set forth in the Standby Letter of Credit or Confirmation. In the Bank's standard forms of Standby Letter of Credit and Confirmation, the documentary requirements include: (i) presenting a draft to the Bank which satisfies the requirements set forth in the Standby Letter of Credit or Confirmation; (ii) delivering the original Standby Letter of Credit or Confirmation, as applicable; (iii) in the case of a Confirmation, delivering the original letter of credit confirmed by the Confirmation; and (iv) a certification by the Beneficiary that satisfies the requirements set forth in the Standby Letter of Credit or Confirmation.

g. Reimbursement Obligations

Each Borrower that requests a letter of credit unconditionally and irrevocably agrees to indefeasibly reimburse the Bank for the amount of any draws on such letter of credit, without defense, set-off or counterclaim, by depositing immediately available funds into the Borrower's DDA, irrespective of the enforceability of such letter of credit or the validity of any draw. Each reimbursement will be due, without presentment or demand, on the day of the draw.

The Bank may permit a Borrower to finance its reimbursement obligation, in which case the Bank will deem any draw to be a request by the Borrower for a one-day Advance to be rolled over daily. The Borrower may request that a one-day Advance be converted to an appropriate term in accordance with this Policy. The date of the Advance will be the date of the draw and the interest rate will be determined in accordance with the Bank's then offered rates for Advances. In addition, any required capital stock purchase for the Advance will be calculated and purchased at such time.

The Bank is authorized to charge the Borrower's DDA for the Borrower's reimbursement obligations and any fees related to letters of credit, and apply the proceeds of any Collateral pledged by the Borrower to the Bank to the Borrower's reimbursement obligations and such fees.

3. Interest Rate Derivatives Products

The Bank offers interest rate derivatives products to Members, which are independent of other credit products, to allow Members to better manage balance sheet assets and liabilities. The Bank offers fixed for floating interest rate swaps (with either present amortization schedules or bullet maturities). Members that have an E* internal credit rating with the Bank are not eligible to enter into interest rate swap transactions with the Bank.

a. Types and Terms of Interest Rate Derivative Products

(i) *Interest Rate Swaps*

The Bank offers the following fixed for floating rate interest rate swaps to Members with maturities generally ranging from six months to fifteen years:

- Interest Rate Swap – Member Receives Fixed: The Member receives a fixed interest rate from the Bank, and the Member pays a floating interest rate to the Bank.
- Interest Rate Swap – Member Pays Fixed: The Member pays a fixed interest rate to the Bank, and the Member receives a floating interest rate from the Bank.

Note: The notional amount on which the interest rate paid by the Member and the interest rate received by the Member may be fixed for the life of the contract or amortize over the life of the contract according to a specified schedule.

b. Requesting an Interest Rate Derivative Product

Prior to requesting an interest rate derivatives product, a Member must have executed and delivered to the Bank an ISDA Master Agreement and the Bank's Schedule to the ISDA Master Agreement, have an executed Corporate Certificate of Authority on file with the Bank, and have the required Bank signature card

related to interest rate derivatives products on file with the Bank. The ISDA Master Agreement and the Bank's Schedule to the ISDA Master Agreement, Corporate Certificate of Authority, and signature card can be obtained from the Bank.

A Member may request interest rate derivatives products by telephone. Instructions from the Member for executing interest rate derivatives by telephone are electronically recorded, stored, and archived to provide for future review and verification, as necessary. A Member must verify with the Bank the terms of the interest rate derivative to ensure that the terms are correct and are properly recorded for audit purposes. The Bank will fax to the Member a confirmation of the interest rate derivatives transaction, reflecting the terms of the interest rate derivatives transaction. The Member will have an authorized officer execute the confirmation, and fax the executed confirmation to the Bank.

c. Pricing

Members may obtain current pricing by contacting the Bank.

d. Collateral

A Member must have an amount of Qualifying Collateral sufficient to fully secure the amount of an interest rate swap's market value plus (i) 2.5% of the notional amount in the case of a Member that has an internal credit rating of A, B, or C and (ii) 3.0% of the notional amount in the case of a Member that has an internal credit rating of D or E or E*.

e. Termination

The Bank, in its discretion, may allow a Member to terminate an interest rate derivative contract. The terms governing any permitted termination will be based on market conditions at the time of termination and the terms for the particular interest rate derivative. Please call the Member Services Desk for details.

4. Standby Bond Purchase Agreements

For state housing finance agencies (SHFAs) located within the five states that comprise the Bank's District, the Bank offers a service whereby the Bank enters into an agreement to purchase specific SHFA bond obligations when such bonds are unable to be sold by a remarketing agent. The Bank has set an aggregate limit on the dollar amount of bonds that it has or might be required to purchase pursuant to standby purchase agreements. It has also established sublimits for the Bank's maximum obligations with respect to any single state housing authority and with respect to any single issue of securities. The terms (including pricing) applicable to this service are determined at the time the Bank enters into a standby purchase agreement based on then current conditions in the financial markets. Further information regarding this service may be obtained by calling the Member Services Desk at 844.345.2265.

5. Mortgage Partnership Finance® Program

The Mortgage Partnership Finance® (MPF®) Program allows Members and Housing Associates that are approved to be participating financial institutions ("PFIs") to sell mortgage loans to the Bank or other MPF Program investors. This provides those PFIs with an alternative to holding conforming fixed-rate mortgage loans in portfolio, thereby creating additional liquidity for PFIs, and also provides a competitive alternative to selling those loans to other investors in the secondary market.

The MPF Program was developed and is administered by FHLB Chicago (the MPF Provider). Under the MPF Program, the Bank, other Federal Home Loan Banks, or third party investors acquire fixed-rate, conforming mortgage loans from PFIs. PFIs deliver loans pursuant to the terms of master commitments (MCs) entered into by the Bank and the PFI and acknowledged by the MPF Provider.

Approved PFIs are required to enter into a Participating Financial Institution Agreement with the Bank. PFIs must comply with the requirements of the PFI Agreement, MPF Guides, applicable law and the terms of related mortgage documents. If a PFI fails to comply with any of these requirements, it may be required to repurchase the MPF loans which are affected by that failure. The reasons that a PFI could be required to repurchase an MPF loan include, but are not limited to, the failure of the loan to meet MPF underwriting standards, subsequent modification of the loan terms, loan closing documents that are not able to be certified by the MPF Custodian, a servicing breach, fraud, or other misrepresentation by the PFI.

a. MPF Products

(i) *MPF Risk-Sharing Products*

MPF Risk-Sharing Products allow PFIs to share the credit risk associated with residential mortgages sold by PFIs under the Program. These products provide PFIs the ability to originate, sell, and service fixed-rate, residential mortgage loans and retain a portion of the credit risk on the loans as a Credit Enhancement ("CE") Obligation for which they receive Credit Enhancement Fees (CE Fees) based on the performance of the loans.

Under the terms of the MCs, a PFI may deliver loans closed in its own name to the Bank and transfer such loans to the Bank

PFIs retain a portion of the credit risk of the mortgage loans sold to the Bank, and are paid a CE Fee as an incentive to minimize credit losses and to share in the risk of loss on MPF loans, rather than paying a guaranty fee to other secondary market purchasers. CE Fees are paid monthly and are determined based on the remaining unpaid principal balance of the MPF loans delivered by the PFI. Depending on the specific MPF product, the Bank may pay performance-based CE Fees which are based on the actual credit performance of the pool of MPF loans under each individual MC. To the extent that losses in the current month exceed accrued performance-based CE Fees, the remaining losses may be recovered from future performance-based CE Fees otherwise payable to the PFI.

(ii) *MPF Xtra® Product*

With the MPF Xtra product, PFIs sell fixed-rate conforming loans to the Bank, which simultaneously sells the loans to another investor, minimizing interest rate and prepayment risks of the loans and transfers the credit risks to the investor.

Two MPF Xtra servicing options are available to the originating PFI:

1) Servicing Retained option - the originating PFI retains the servicing rights and the associated customer relationship for mortgages delivered under the MPF Xtra product structure.

2) Servicing Released option – the originating PFI sells the servicing rights to mortgages delivered under the MPF Xtra product structure to an approved servicer concurrently with the delivery of the mortgages under the MPF Xtra product structure. The originating PFI retains all origination obligations and pre-sale date servicing obligations while the assuming servicer acquires the servicing rights and obligations as of the concurrent sale date.

b. Eligibility

Any bank, thrift, credit union, or qualified Housing Associate meeting all of the criteria below will generally be eligible to be approved as a PFI to sell loans under the MPF Program.

(i) Commitment to housing finance as demonstrated by single family first mortgages of at least 10% of Tier 1 capital.

(ii) Acceptable financial condition as demonstrated by the Bank's assignment of a credit rating of A, B, or C (see "Credit Underwriting") after the Member or Housing Associate is evaluated using the Bank's credit underwriting standards.

(iii) An acceptable 4-quarter weighted average single family loan portfolio default rate, as determined by the Bank, from time to time.

(iv) Availability of eligible collateral with a value in excess of the Member's or Housing Associate's other obligations to the Bank sufficient to meet the collateral requirements described below.

(v) The PFI must, at all times, employ personnel or agents who are well trained and qualified to perform the functions required under the PFI Agreement, and maintain facilities and systems that are able to perform its functions under the PFI Agreement.

(vi) The PFI must maintain, at its own expense, insurance coverage in accordance with the MPF Guides.

c. Collateralization

The PFI's obligations under the PFI Agreement are secured by collateral pledge pursuant to its Advances and Security Agreement with the Bank as well as collateral pledged pursuant to its PFI Agreement. In addition, the Bank may require additional collateral to secure the PFI's obligations. The Bank mitigates its credit risk by requiring eligible collateral for each PFI's direct and indirect liability in the same way that advances are collateralized.

(i) ***MPF Risk-Sharing Products***

A PFI's CE Obligation arises under its PFI Agreement, while the amount and nature of the obligation are determined by the Bank with respect to each MC. The Bank will hold collateral against a PFI's CE Obligation. In addition, from time to time the Bank may elect to hold additional collateral to secure the PFI's other obligations under the MPF Program.

(ii) ***MPF Xtra® Product***
The Bank may establish a collateral requirement for MPF Xtra participants based on but not limited to (1) the unpaid balance of loans the PFI has sold or is in the process of selling under the MPF Xtra product structure, (2) the PFI's internal credit rating and (3) the PFIs historical repurchases and indemnification payments.

d. Risk-based Adjustments

With approval from ALCO, or other appropriate management committee, the Bank may apply pricing or other adjustments to purchases of loans from a PFI based on the characteristics of the loans or loan types sold by the PFI, such as historical loan quality, loan performance, or prepayment speeds.

B. Availability of Credit

The availability of Extensions of Credit to each Borrower is based on the financial condition of the Borrower, the adequacy of Collateral pledged to the Bank to secure such Extensions of Credit, and the Borrower's compliance with any community support requirements for membership in the Federal Home Loan Bank System.

The Bank, in its discretion, may limit or deny a Borrower's application for an Extension of Credit if, in the Bank's good faith judgment, such Borrower –

- is engaging or has engaged in any unsafe or unsound banking practices,
- has inadequate capital,
- is sustaining operating losses,

- has financial or managerial deficiencies, as determined by the Bank, that bear upon the Borrower's creditworthiness, or
- has any other deficiencies, as determined by the Bank.

The Bank, in its discretion, may make Extensions of Credit or renew Extensions of Credit only if the Bank determines that it may safely make such Extension of Credit or renewal to the Borrower. Sections III.B.1 and III.B.2 below describe the Bank's credit underwriting, internal credit ratings and internal credit standards which are to be applied to the various categories of Bank Members. Notwithstanding these requirements, the CRC is authorized to assign a credit rating to a Member based on available data in the event the Bank does not have access to the information that is ordinarily used to assign a credit rating.

1. Credit Underwriting and Internal Credit Ratings

   a. **Depository Institutions and Insurance Companies**

   For both Depository Institution and insurance company Members, the Bank measures its credit risk based upon its internal analysis of a Member's financial condition and performance and assigns an internal credit rating accordingly.

   For Members that are Depository Institutions or insurance companies, the Bank's credit underwriting is based on both quantitative and qualitative factors, with a focus on key financial and management measures including the following:

   - Capital adequacy
   - Asset quality
   - Earnings
   - Liquidity

   A Member's credit rating and the Bank's analysis of other risk factors determine whether a Member may borrow under a blanket lien or be required to deliver Qualifying Collateral to secure existing or future Extensions of Credit, as well as whether any other restrictions will be placed on a Member's transactions with the Bank. Generally, Members assigned credit ratings of A, B or C may borrow under the blanket collateral status while Members rated D or E must deliver Qualifying Collateral to the Bank (delivery collateral status). Members assigned credit ratings of E* will not be eligible to enter into interest rate derivatives transactions with the Bank. As discussed elsewhere in this Policy, Members assigned a credit rating of E* are classified as "restricted members."

   The Bank reviews each Member's quarterly financial information and each quarter the Bank selects Members for Collateral status reviews on the basis of the Bank's internal guidelines. The Bank may use other appropriate criteria in its discretion to select Members for Collateral status review. The Bank's review determines whether the Member may continue borrowing from the Bank under the terms and conditions currently applicable to that Member. For example, the Bank will determine during this quarterly review whether the Bank should incrementally impose or remove any restrictions on the Member's borrowing (such as requiring a Member on blanket collateral status to deliver Collateral) or remove any restrictions on the Member's borrowing (such as by according a Member blanket collateral status rather than requiring the Member to deliver Collateral). The Bank reviews information for Members including, but not limited to, periodic reports by independent rating agencies, if available, and the Member's most recent Regulatory Examination Report. Nothing in this Policy shall be construed to limit the Bank's right to deny an Extension of Credit or the basis of the Bank's determination of the creditworthiness of the Borrower.

   Upon request by the Bank, a Member may be required to submit supplemental information for credit underwriting purposes.

b. Other Institutions

Housing Associates, State Housing Finance Agencies, Nondepository CDFIs and NFICUs are required to deliver Collateral to the Bank and are not eligible for blanket collateral status. Therefore, this discussion of the Bank's credit underwriting and credit ratings is not generally applicable to Housing Associates, State Housing Finance Agencies, Nondepository CDFIs and NFICUs. The Bank periodically requests financial statements and may request other information from Housing Associates, State Housing Finance Agencies, Nondepository CDFIs and NFICUs to assess their financial condition. The Bank may, in its discretion, restrict a Housing Associate, State Housing Finance Agency, Nondepository CDFI or NFICU from executing transactions with the Bank if the Bank determines that such entity's financial condition warrants such restriction.

2. Internal Credit Rating Standards

a. Credit Rating Criteria

Based on its underwriting processes, the Bank assigns each Member one of six internal credit ratings: A, B, C, D, E or E*.

- Members rated A, B or C are in generally satisfactory financial condition.
- Members rated D or E show weakening financial trends in key financial measures and / or are subject to regulatory findings.
- Members rated E* show financial weaknesses that present the Bank with an elevated level of concern.

Ratings are assigned at the sole and exclusive discretion of the Bank.

(i) Federally Insured Depository Institutions

A Federally Insured Depository Institution Member's credit rating and the Bank's analysis of other risk factors determine whether such Member may borrow under a blanket collateral status or be required to deliver Qualifying Collateral to secure existing or future Extensions of Credit. Generally, federally insured Members assigned credit ratings of A, B or C by the Bank may borrow under the blanket collateral status, while such Members rated D or E must deliver Qualifying Collateral to the Bank (delivery collateral status), and such Members rated E* are subject to additional restrictions on extensions of credit by the Bank (restricted lending status).

(ii) Other Institutions

Regardless of credit rating, insurance company, Nondepository CDFI and NFICU Members and Housing Associates may only borrow against delivered collateral, while such Members and Housing Associates rated E* are subject to additional restrictions (restricted lending status).

b. Restricted Lending Status

(i) *Determination and Communication*

In the event a Member's creditworthiness significantly deteriorates and the Member is determined to be a "restricted member," such "restricted member" will be assigned a credit rating of "E*".

Before a Member is moved to E*, the Bank will attempt to notify such Member by letter and through discussion with the Member's senior management of the determination that the Member has been

determined to be a "restricted member" with a credit rating of E*. Also, any restrictions determined to apply to an "E*" rated Member, as set forth below, will be communicated by letter and through discussion with the Member's senior management, and will remain in effect until the Member is notified of a change in status.

(ii) *Applicable Restrictions*

Unless the CRC decides otherwise, the following restrictions will apply to a Member with a credit rating of "E*":

- The Member's ability to initiate Advances or Letters of Credit through SecureConnect is limited;
- The approval of the Chief Credit Officer of the Bank or a designee of the President is required for:
  - outgoing wires;
  - the release or transfer of Collateral;
  - the subordination of Collateral;
  - the sale of Collateral to reduce outstanding Extensions of Credit;
  - the substitution of Collateral;
  - the repurchase of excess Capital Stock;
  - the delivery of purchased securities settled through the Bank; and
  - renewal of any previously issued Standby Letters of Credit or Confirmations supporting CICA projects that continue to meet the qualification requirements.
- The Member's continued participation in the Bank's mortgage purchase programs (such as the MPF Program) requires Bank approval;
- The Member's participation in the Bank's CICA programs beyond such Member's current delivery commitments, current CICA programs or projects, requires Bank approval;
- The terms for new Advances and renewals of Advances are limited to a period not to exceed 30 days and the terms for new Standby Letters of Credit and Confirmations and renewals of Standby Letters of Credit and Confirmations are limited to a period not to exceed 6 months; provided an expiration date that occurs on a weekend or holiday will roll to the next Business Day;
- The Member will not be eligible to enter into new interest rate swap transactions with the Bank;
- The Member will not be eligible to enter into new mandatory commitments for Advances, except as approved by the Bank in connection with the Member's participation in the Bank's CICA programs;
- The Bank (1) will reduce the value of Collateral delivered to the Bank by such Member to the percentage applicable for such Collateral under a Restricted (E*) status, (2) will apply collateral already delivered to the Bank against outstanding obligations based on the market value and ease of disposition of such collateral, and (3) may, in its sole discretion, restrict the type of Collateral and reduce the value of Collateral delivered to the Bank based on the Member's risk profile, economic circumstances, or operational circumstances; and
- The Bank may subject such Member to any other applicable restrictions set forth in the Regulations, the Act, and any other laws, statutes, rules, or regulations, as each may be amended or replaced from time to time.

3. Other Limitations on Access to Extensions of Credit

a. Limitation on Availability of Credit based on a Percentage of a Member's Total Assets

Credit will not be extended beyond 50 percent of a Member's or Housing Associate's total assets without prior consent of the Bank's Board of Directors, except in the case of Advances with original maturities of 30 days or less secured with Securities.

b. Members without Positive Tangible Capital

The Bank will not make a new Advance to a Member without positive Tangible Capital unless the Member's Appropriate Federal Banking Agency, Insurer or State Regulator acting in a capacity similar to an Appropriate Federal Banking Agency or Insurer requests in writing that the Bank make such Advance and subject to applicable regulations, the Bank may in its discretion deny any request for an Advance. The Bank will use the most recent Regulatory Financial Report to determine whether a Member has positive Tangible Capital.

The Bank may in its discretion renew outstanding Advances for successive terms of up to 30 days each to a Member without positive Tangible Capital; provided, however, that the Bank shall honor any written request of the Appropriate Federal Banking Agency, Insurer, or State Regulator acting in a capacity similar to an Appropriate Federal Banking Agency or Insurer that the Bank not renew such Advances. The Bank may renew outstanding Advances to a Member without positive Tangible Capital for a term greater than 30 days at the written request of the Appropriate Federal Banking Agency, Insurer or State Regulator acting in a capacity similar to an Appropriate Federal Banking Agency or Insurer.

c. Advances to Capital Deficient but Solvent Members

The Bank may make a new Advance or renew an outstanding Advance to a Capital Deficient Member that has positive Tangible Capital, unless the Bank receives written notice from the Appropriate Federal Banking Agency, Insurer or State Regulator acting in a capacity similar to an Appropriate Federal Banking Agency or Insurer that the Member's use of Advances has been prohibited. The Bank may resume lending to such a Capital Deficient Member if the Bank receives a written statement from the Appropriate Federal Banking Agency, Insurer or State Regulator acting in a capacity similar to an Appropriate Federal Banking Agency or Insurer that re-establishes the Member's ability to use Advances.

d. Advance Commitments

If a Borrower's access to Advances from the Bank is restricted pursuant to paragraph (b) or (c) above, the Bank will not fund the Borrower's outstanding commitments for Advances not exercised prior to the imposition of the restriction. If a Borrower's access to Advances from the Bank is restricted for any other reason, the Bank will not fund the Borrower's outstanding commitments for Advances not exercised prior to the imposition of the restriction if the commitment does not conform to the restriction imposed.

e. Extensions of Credit Secured by HFS Loans

(i) *Authorized Members*

HFS Approved Borrowers are authorized to secure Extensions of Credit with Qualifying HFS Loans at the Qualifying HFS Collateral Value if such Borrowers comply with the requirements in this Section III.B.3.e.

(a) The "HFS Eligibility Requirements" are:

(1) Members must have a credit rating of A, B or C or Housing Associates must be approved by CRC;

(2) Borrowers must demonstrate that they have adequate experience originating or acquiring residential mortgage loans or interests in residential loans, which will be delivered to Fannie Mae, Freddie Mac or other investors at the Bank's discretion;

(3) Borrowers must demonstrate that they have established effective controls and quality assurance related to HFS Loans;

(4) Members pledging loans reported in J454 or the equivalent must deliver both(i) a true sale determination from an outside accounting or law firm with respect to HFS Loans not reported as a loan secured by 1 – 4 family residential properties; and (ii) the form of agreement between the Member and the third party originating such HFS Loans.

(5) Borrowers pledging HFS Loans held by a third-party custodian must deliver the agreement with the custodian which must be satisfactory to the Bank.

(b) HFS Approved Borrowers are Borrowers that meet all HFS Eligibility Requirements and sign the Held for Sale Addendum to Advances and Security Agreement.

(ii) ***Monthly Updates***

In order to receive Qualifying HFS Collateral Value for Qualifying HFS Loans, HFS Approved Borrowers must submit the following updated month-end information (the "Monthly Update") no later than the last day of the following month: (i) total single family loan assets; (ii) total single family loans held for sale; (iii) total single family loans 90+ days delinquent; and (iv) total single family HFS Loans 30+ days delinquent. If an HFS Approved Borrower not participating in the Daily Updates described below fails to submit a monthly update by the deadline, the Member's Qualifying HFS Loans will be valued as Other Real Estate Collateral until the Member has submitted all required monthly information.

(iii) ***Daily Updates***

HFS Approved Borrowers may request approval to submit daily loan level listings (the "Daily Update") of all their single family loan assets and held for sale assets. Borrowers utilizing Daily Updates must require investors purchasing any HFS Loans listed with the Bank to settle the purchase price for such loans through a demand deposit account established at the Bank unless such investor has granted the Bank a security interest in its right in such HFS Loans. If an HFS Approved Borrower participating in the Daily Updates program fails to submit a Daily Update by the deadline, the Borrower's Qualifying HFS Loans will be valued at zero until the Borrower has submitted all required daily information.

(iv) ***HFS Loans after Borrower's Downgrade***

When a Member that has been receiving Collateral value for HFS Loans is assigned a Bank credit rating of D, E or E*, or the Member decides to change to delivery collateral status, or CRC withdraws its approval from a Housing Associate receiving Collateral value for HFS Loans; the Bank will designate a Held for Sale Transition Date for the Borrower, usually 45 days after the change becomes effective. After the Held for Sale Transition Date, Borrowers will not be able to pledge loans using the Daily Update or Monthly Update process until such time as their credit rating improves to A, B or C, or in the case of a Housing Associate, the Borrower is re-approved by CRC.

f. **FHA-Insured Loan Rehabilitation Program**

(i) ***Authorized Members***

FHA-Insured Loan Rehabilitation Program Borrowers are authorized to secure Extensions of Credit with Qualifying FHA-Insured Rehabilitation Program Loans purchased as part of a program designed to rehabilitate such loans. Borrowers must comply with the requirements in this Section III.B.3.f in order to

participate in the FHA-Insured Loan Rehabilitation Program.

(a) The "FHA-Insured Loan Rehabilitation Program Requirements" are:

(1) Members must have a credit rating of A, B or C;

(2) Member must be a depository institution with $500MM Tier 1 Capital at time of enrollment;

(3) Member must, in the Bank's sole discretion, demonstrate at time of enrollment that they have established effective controls and quality assurance related to such loans, including the servicing of such loans;

(4) Member must provide copies of the Purchase, Servicing, and Custodial agreements (as applicable) which are satisfactory to the Bank.

- The party servicing the loans must be rated Tier 1 or Tier 2 by HUD.

g. Paycheck Protection Program (PPP) Loans

(i) Authorized Members

Members with credit rating of A, B or C, at time of pledging, are authorized to opt-in to the listing program to secure Extensions of Credit with PPP loans. Members whose credit rating deteriorates below C after pledging PPP loans will be required to deliver such loans to maintain collateral value with an increased haircut.

C. Collateral

1. Grant of a Security Interest

The Act and the Regulations require the Bank to make advances only on a fully-secured basis. Accordingly, the Bank's borrowing agreements, which Members and Housing Associates must execute before they can receive Advances or other Extensions of Credit, require Members and Housing Associates to maintain an amount of Qualifying Collateral sufficient to fully secure all Extensions of Credit. Each Borrower must comply with the collateral requirements of this Policy prior to the approval or funding of an Extension of Credit.

a. Blanket Lien

Subject to the exceptions described below, all Customers grant to the Bank a blanket security interest in and lien on all categories of assets that the Bank considers eligible Collateral.

b. Specific Collateral Only Lien

Certain Members grant to the Bank a security interest in and lien on Capital Stock, Deposit Accounts, and certain specifically-identified assets only, rather than in all categories of eligible Collateral. The assets that these Members may identify and pledge to the Bank include Securities and/or First Mortgage Collateral.

(i) Insurance Companies

Insurance company Members grant a security interest in only Capital Stock, Deposit Accounts, and eligible Collateral that they deliver to the Bank. The assets that these Members may pledge to the Bank include Securities, First Mortgage Collateral and Other Real Estate-Related Collateral loans secured by commercial property.

(ii) Rated Entities

Generally, a Member that has investment grade credit ratings from at least two NRSROs is eligible to borrow on the basis of a more limited security interest than is granted under the blanket security interest. If an eligible Member requests this arrangement, that Member grants in favor of the Bank a security interest limited to Capital Stock, Deposit Accounts, Securities, first-lien mortgages and deeds of trust relating to one-to-four family residential dwellings which are specified on a schedule, and certain other assets that the Member may from time to time deliver to the Bank and the Bank may agree to accept as Collateral.

A Member that does not have the required investment grade credit ratings set forth in the preceding paragraph may still be eligible for this specific collateral only option but only if an Affiliate of the Member at the time when the Member enters into the applicable Advances and Security Agreement (i) is a Federally Insured Depository Institution, (ii) has the required investment grade credit ratings, and (iii) enters into an agreement, acceptable to the Bank, to guaranty the indebtedness of such Member.

c. LFI Collateral Only Lien

Generally, a Member with an investment grade credit rating is eligible to request that the Member grant in favor of the Bank a security interest limited to Capital Stock, Deposit Accounts, First Mortgage Collateral, Other Real Estate Related Collateral, and Securities.

2. Eligible Collateral

a. Anti-Predatory Lending Collateral Policy and Subprime and Nontraditional Mortgage Collateral Policy

The Bank will not accept as Collateral any loan or class of loans that does not comply with the Bank's Anti-Predatory Lending Collateral Policy set forth in Exhibit C. In addition, a Member's Collateral is subject to the restrictions described in the Bank's Subprime and Nontraditional Mortgage Collateral Policy set forth in Exhibit D.

b. Types of Collateral Eligible to Secure Extensions of Credit to Members

The Bank may accept in the ordinary course of business the following types of Collateral from its Members as security for Extensions of Credit:

(i) ***First Mortgage Collateral***

First Mortgage Collateral, which consists of whole, fully disbursed, first mortgages and deeds of trust relating to one-to-four family dwellings and multifamily residential dwellings (excluding participations and other fractional interests or mortgage warehouse lines). First Mortgage Collateral may include loans reported on call report lines RCON5367/1460, and CU703.

(ii) ***U.S. Government and Federal Agency Securities***

U.S. Government and Federal Agency Securities, including without limitation (i) mortgage-backed securities issued or guaranteed by Freddie Mac, Fannie Mae, Ginnie Mae, or any other federal agency; and
(ii) mortgages or other loans (including securities backed by, or representing an equity interest in, such mortgages or loans) that are insured or guaranteed by the United States or a federal agency, or otherwise backed by the full faith and credit of the United States, where the insurance or guarantee is for the direct benefit of the holder of the mortgage or loan.

(iii) Privately-issued Mortgage-Backed Securities

Privately-issued Residential Mortgage-backed Securities and Privately-issued Commercial Mortgage-

backed Securities that (i) were rated in the highest category by at least one NRSROs rating the security at the time such securities were originally issued, (ii) maintain at least a triple B rating from all NRSROs rating the security, and (iii) are delivered to the Bank.

The following types of Privately-issued Residential Mortgage-backed Securities are not eligible collateral: (i) securities that represent a share of only the interest payments or only the principal payments from the underlying mortgage loans; (ii) securities that represent a subordinate interest in the cash flows from the underlying mortgage loans; (iii) securities that represent an interest in any residual payments from the underlying pool of mortgage loans; and (iv) such other securities as the Bank, in its sole discretion, may determine to be high-risk.

(iv) ***Term Deposits***

Term Deposits with the Bank.

(v) ***Small Business Administration Guaranteed Loans***

Small Business Administration (SBA) Guaranteed Loans that are secured by eligible real estate collateral, or, in the case of CFI's, by non-real estate collateral. The Bank relies solely on the underlying collateral and does not ascribe value to the SBA-guaranteed portion.

(vi) ***Other Real Estate-Related Collateral***

Other Real Estate-Related Collateral, which includes all other items of real estate related collateral, including without limitation, all (i) mortgage loans secured by second liens on one-to-four family dwellings (regardless of who holds the first lien); (ii) mortgage loans secured by third or other subordinate liens on one-to-four family dwellings when the member holds all loans secured by superior liens; (iii) mortgage loans secured by first liens on real estate other than one-to-four family dwellings and by subordinate liens on such property when the member holds all loans secured by superior liens (iv) mortgage warehouse lines secured by eligible warehouse line mortgages (EWLM); and (v) participations in otherwise eligible loan collateral described in this section that meets all of the requirement established by the Bank for participation collateral in this Policy or elsewhere. Other Real Estate-Related Collateral may include loans reported on call report lines RCON 1420/1797/5368/F158/ F159/F160/F161 and CU703/386.

(vii) ***State or Municipal Securities***

Securities rated at least AA by a NRSRO issued as a general obligation of or guaranteed by state or municipal governments or their political subdivisions to the extent the proceeds of such securities (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"); provided, however, in the case of any of such securities for which a portion of the proceeds have been or will be used for purposes other than Real Estate Improvements, the Bank will only accept the portion of the outstanding balance of such securities which have been or will be used to finance Real Estate Improvements. Examples of the types of securities the Bank will accept are those that fund single family housing, multi-family housing, public housing, low and moderate cost housing, nursing homes, schools or school upgrades, public facilities, transportation systems, libraries, jails, park and recreational facilities, food stores, land improvement, and acquisition of real estate.

(viii) ***Housing Bonds***

Mortgage Revenue Bonds (MRB) and tax-exempt multifamily housing bonds (collectively, Housing Bonds) rated at least AA by a NRSRO issued by a state or local housing finance agency to finance low-interest mortgages for low- and moderate-income home buyers and to acquire, construct, and

rehabilitate multifamily housing for low-income renters.

(ix) ***Other Securities***

Other securities representing undivided equity interests in the collateral described above.

(x) ***CFI Collateral***

For CFI's, fully secured loans to small businesses, small farms and small agri-businesses, and securities representing whole interests in such fully secured loans. CFI Collateral that includes small business loans may include loans reported on call report lines RCONF158/F160/ F161/1763/1766. CFI Collateral that includes small farm loans and small agri-business loans may include loans reported on call report lines RCONF159/1420/1590.

(xi) ***Affiliate Collateral***

For Affiliates, assets held by an Affiliate of a Member that otherwise constitute eligible Collateral under the descriptions above may be used to secure Extensions of Credit to that Member, provided the Collateral is pledged to secure: (i) the Member's obligation to repay Extensions of Credit and other indebtedness: or, (ii) a surety or other agreement under which the Affiliate and the Member have assumed a primary obligation to repay Extensions of Credit. In either case, the Bank must be able to obtain and perfect a legally enforceable security interest in the Collateral, taking account of applicable laws governing fraudulent conveyances, that is the functional equivalent in all material respects to the rights and privileges the Bank would possess if the Member pledged that same Collateral directly.

(xii) ***Qualifying HFS Loans***

"HFS Loans" are (a) fully-disbursed first mortgage loans or 99% to 100% participations in such loans (b) secured by one-to-four family dwellings (c) originated or acquired by a HFS Approved Borrower and identified as "held for sale" or "held for trading" on the HFS Approved Borrower's books and records, and (c) loans that satisfy all Collateral eligibility requirements in Section III.C.2.c. "Qualifying HFS Loans" are HFS Loans which meet the following additional requirements:

(a) The loans are originated within the last 60 days or such other period as approved by the Bank, on a case-by-case basis; and

(b) The loans are underwritten to Fannie Mae, Freddie Mac, or FHA/VA standards, or standards of other investors authorized by the Bank in writing; and

(c) The HFS Approved Borrower retains possession or control of the HFS Loan as described below:

(1) Retain physical possession of the note; or

(2) Retain physical possession of a bailee letter or trust receipt acceptable to the Bank in lieu of the note if the note has been delivered to an investor; or

(3) Maintain control of the note, bailee letter or trust receipt through a custodian if the note, bailee letter or trust receipt has been delivered to a custodian.

(xiii) ***Qualifying FHA-Insured Rehabilitation Program Loans***

Qualifying FHA-Insured Rehabilitation Program Loans are fixed rate, fully-disbursed first mortgage loans, secured by one-to-four family dwellings that have been purchased out of Ginnie Mae MBS due to a highly delinquent (90 days or more) status that meet the following additional requirements:

(a) The loan must have an active FHA insurance policy where the Member is identified by HUD as the Holder of such loan and the beneficiary of such insurance policy;

(b) The servicer of such loan must be rated at least Tier 1 or Tier 2 by HUD;

(c) The Member must maintain possession of the original note or provide satisfactory evidence of its control of the original note through a Custodian; and

(d) A Part A Conveyance claim ("full claim") must not have been filed with the FHA in connection with such loan.

c. Additional Eligibility Requirements for Collateral

In addition to the requirements set forth in clause (b) above, any loans pledged by a Borrower as Collateral (i) must satisfy all the requirements outlined in the Bank's Loan Collateral Eligibility Requirements document available on fhlb.com, (ii) be owned by the Member free and clear of any liens and encumbrances (other than those that are junior to the liens and encumbrances of the Bank), (iii) unless otherwise specified in this policy single-family residential mortgage loans, must not be past due 90 days or more; and (vii) all other loans, must not be past due 30 days or more. Collateral pledged to the Bank by Members must also meet any other collateral requirements or requirements applicable to the perfection of the Bank's security interest in such collateral established from time to time by the Bank. Additional eligibility requirements applicable to Privately-issued Residential Mortgage-Backed Securities and subprime and/or nontraditional residential mortgage loans are described in the Bank's Subprime and Nontraditional Mortgage Collateral Policy, which is attached hereto as Exhibit D.

The Bank may, however, consider as eligible Collateral a participation purchased and owned by a Member in Collateral described above, provided that an Affiliate of the Member owns the remaining interest in that Collateral and has executed an agreement pledging its interest in the Collateral to the Bank to secure the Member's obligations or the Affiliate has provided the Bank other rights and interests with respect to the remaining interests that will allow the Bank to effectively liquidate the Collateral.

If the Bank deems itself to be under-collateralized and a Member has pledged to the Bank all Collateral under the categories above, the Bank may accept other assets to secure the Member's Extensions of Credit, provided that the Bank can perfect a security interest in the assets.

d. Types of Collateral Eligible to Secure Advances to Housing Associates

The Bank may accept the following types of Collateral from Housing Associates as security for Advances:

(i) ***Insured Mortgage Loans***

Mortgage loans insured by the Federal Housing Administration of HUD under title II of the National Housing Act.

(ii) ***Insured Securities***

Securities representing a whole interest in the principal and interest payments due on a pool of mortgage loans insured by the Federal Housing Administration of HUD under title II of the National Housing Act; provided that the Housing Associate provides evidence that such securities are backed solely by mortgages insured by the Federal Housing Administration of HUD under title II of the National Housing Act.

(iii) ***State Housing Finance Agencies – First Mortgage Collateral***

In the case of Housing Associates that are State Housing Finance Agencies, First Mortgage Collateral

and Qualifying HFS Loans eligible to secure Advances to Members.

(iv) ***State Housing Finance Agencies – Securities***

In the case of Housing Associates that are State Housing Finance Agencies using the proceeds of an Advance to facilitate mortgage lending in compliance with 12 C.F.R. § 1266.17(b)(2), U.S. Government and Federal Agency Securities, including without limitation (i) mortgage-backed securities issued or guaranteed by Freddie Mac, Fannie Mae, Ginnie Mae, or any other federal agency; and (ii) mortgages or other loans (including securities backed by, or representing an equity interest in, such mortgages or loans) that are insured or guaranteed by the United States or a federal agency, or otherwise backed by the full faith and credit of the United States, where the insurance or guarantee is for the direct benefit of the holder of the mortgage or loan.

(v) ***State Housing Finance Agencies – Privately-issued Residential Mortgage-Backed Securities***

In the case of Housing Associates that are State Housing Finance Agencies using the proceeds of an Advance to facilitate mortgage lending in compliance with 12 C.F.R. § 1266.17(b)(2), Privately-issued Residential Mortgage-backed Securities eligible to secure Advances to Members. Additional restrictions applicable to certain Privately-issued Residential Mortgage-Backed Securities are described in the Bank's Subprime and Nontraditional Mortgage Collateral Policy, which is attached hereto as Exhibit D.

(vi) ***State Housing Finance Agencies – Term Deposits***

In the case of Housing Associates that are State Housing Finance Agencies using the proceeds of an Advance to facilitate mortgage lending in compliance with 12 C.F.R. § 1266.17(b)(2), Term Deposits.

(vii) ***State Housing Finance Agencies – Other Real Estate Related Collateral***

In the case of Housing Associates that are State Housing Finance Agencies using the proceeds of an Advance to facilitate mortgage lending in compliance with 12 C.F.R. § 1266.17(b)(2), Other Real Estate Related Collateral eligible to secure Advances to Members; provided that such collateral comprises mortgage loans on one-to-four family or multifamily residential property.

All loans pledged by a Housing Associate as Collateral must meet the requirements set forth in clauses (b) and (c) above for loans pledged by Members. Collateral pledged to the Bank by Housing Associates must also meet any other collateral requirements established from time to time by the Bank. Additionally, the Bank requires that a State Housing Finance Agency submit, in connection with each request for an Advance, a written certification that it will use the funds in accordance with Section 10(b) of the Act and Section 1266.17(b)(2) of the Regulations.

e. Types of Collateral Eligible to Secure Extensions of Credit to Non-Member Borrowers

The Bank will work with each Non-Member Borrower on a case-by-case basis to determine which types of Collateral the Non-Member Borrower may deliver to secure its Extensions of Credit.

f. Collateral Status

(i) ***Blanket Collateral Status***

(A) Description

Members accorded blanket collateral status may borrow up to a loan value percentage of the book value of eligible Collateral as determined by the Bank (not to exceed 35 percent of the Member's total assets) without specifically listing, segregating or delivering collateral to the Bank. Members on

blanket collateral status are, however, subject to periodic collateral verifications at the Member's expense, as described below. Additionally, the Bank reserves the right to verify any Member's collateral at any time, at the Member's expense, outside of the collateral verifications described in this Policy. The Bank also reserves the right to require delivery of the Member's Collateral.

Members on blanket collateral status agree to promptly inform the Bank of any event that materially reduces the principal amount of, or otherwise changes, the value of Collateral pledged to the Bank under the Bank's blanket security interest. In any event, the Members must update the information relating to pledged Collateral on a quarterly basis, or as requested by the Bank.

(B) Eligibility

Federally Insured Depository Institutions are generally eligible for blanket collateral status. NCUA-insured credit unions may be placed on blanket collateral status only if (i) they keep their books in accordance with GAAP, (ii) they obtain annual financial statement audits prepared in accordance with GAAS and attested to by independent, state-licensed accountants, (iii) as determined by the Bank in its sole discretion, their financial conditions warrant blanket collateral status, and (iv) the Bank receives an executed subordination agreement subordinating any security interest in the Member's assets held by a corporate credit union to the security interest of the Bank. Insurance company Members, Housing Associates, Nondepository CDFIs and NFICUs are not eligible for blanket collateral status.

To qualify for blanket collateral status, eligible Members must meet all applicable statutory and regulatory capital standards and satisfy all of the Bank's credit underwriting standards, as determined by the Bank in its discretion. Additionally, the Bank must have a first-priority security interest in the Collateral pledged to the Bank; otherwise, Members must, in the Bank's sole discretion, provide the Bank with a listing of the Collateral pledged to the Bank or deliver Collateral to the Bank.

Members that qualify for blanket collateral status may opt instead to provide the Bank with a listing of the Collateral pledged to the Bank or deliver Collateral to the Bank.

(ii) *Delivery Collateral Status*

Under the Bank's borrowing agreements, the Bank has the right to require Members and other Borrowers that have granted to the Bank a blanket security interest to deliver Collateral to the Bank. The Bank will require Housing Associates, Members that are insurance companies, and Non-Member Borrowers to deliver Collateral. Additionally, the Bank may require delivery of Collateral if (i) a Member does not meet all applicable statutory and regulatory capital standards; (ii) a Member is a credit union that does not meet the requirements for blanket collateral status; (iii) a Member's financial condition or controls or those of an Affiliate of the Member are such that the Bank would be secure and its security interest fully perfected only if the Collateral is in the Bank's possession; (iv) a Member otherwise fails to meet any of the Bank's underwriting standards for blanket collateral status; (v) another creditor has rights in the Collateral; or (vi) a Member qualifies for and obtains Extensions of Credit under the specific collateral only option described in this Policy.

Customers on delivery collateral status agree to promptly inform the Bank of any event that materially reduces the principal amount of, or otherwise changes, the value of Collateral delivered to the Bank. Customers on delivery status also agree to update information relating to such delivered collateral on a monthly basis, or as requested by the Bank. Detailed information concerning delivering Collateral to the Bank can be found on the Bank's website (www.fhlb.com). In all cases, the Bank in its sole discretion shall determine the market value of the Customer's Collateral.

(iii) *Specific Collateral Only Collateral Status*

Members borrowing under the specific collateral only lien arrangement grant to the Bank a security interest in only Capital Stock, Deposit Accounts, First Mortgage Collateral and Securities. Additionally, the Bank may agree to accept as Collateral from these Members any other property delivered from time to time to the Bank with the valuation of such other property determined in the Bank's sole discretion.

Members borrowing under the specific collateral only lien are placed on specific collateral only collateral status and generally must deliver all Collateral to the Bank. Members may, however, deliver First Mortgage Collateral to a custodian acceptable to the Bank if the custodian enters into an agreement, in form and substance satisfactory to the Bank, with the Bank. Collateral delivered to a custodian rather than to the Bank will be subject to the collateral verification process described below. Certain other conditions and covenants also apply to Members borrowing on this specific collateral only option.

g. Collateral Values

The Bank calculates the collateral value of Collateral as set forth in this Section III.C.2.g. Depending on the type of Customer and their internal credit rating assigned by the Bank, the Bank applies haircuts based on the Federal Home Bank of Dallas Collateral Haircuts Table available in the Collateral Valuation Guide for various categories of Collateral pledged by Customers to the Bank.

(i) *Specific Collateral Only Collateral Values*

The Securities and First Mortgage Collateral delivered by Members borrowing under the specific collateral only arrangement are generally subject to discounts (haircuts) ranging from 2% to 10% (depending on the credit rating of the Member from time to time) greater than the discounts that the Bank applies to Securities and First Mortgage Collateral delivered to the Bank by Members who have granted to the Bank a blanket security interest.

h. Collateral Valuation Methodology

(i) *Valuation Overview*

The Regulations require that each Customer's obligations to the Bank must be secured with eligible Collateral discounted to protect the Bank against loss in adverse circumstances. In assigning collateral values, the Bank calculates Collateral discounts so as to ensure that the value of the Collateral securing each Customer's obligations exceeds the amount the Customer has borrowed or may borrow from the Bank under stressed economic conditions.

The Bank will apply additional discounts to the Collateral delivered by Members borrowing under the specific collateral only option, as set forth in the borrowing agreements executed by the Bank and those Members.

The Bank may determine, in its sole discretion, the applicable collateral values for individual Customers, which may vary from those established in Section III.C.2.g based on the Bank's assessment of the relevant facts and circumstances affecting the creditworthiness of the Borrower and the value of any Collateral pledged.

As more fully detailed in the Collateral Valuation Guide incorporated by reference herein and available on fhlb.com, the Bank applies the methodology summarized below to determine a Customer's Qualifying Collateral:

Bank identifies the assets detailed in Section III.C.2.b. that the Customer pledged to the Bank (Acceptable Assets). The Bank will then confirm the eligibility of the pledged assets based on the requirements outlined in this policy and the Loan Collateral Eligibility Requirements (Eligibility Assets).

The Bank then applies a price to all eligible assets to estimate the underlying value of the pledged assets (Market Value). The Bank applies a haircut (discount) to the market value of acceptable assets pledged by the Customer to establish the Customer's Qualifying Collateral.

(ii) *Collateral Maintenance Level*

The level of Qualifying Collateral that a Customer is required to maintain (Collateral Maintenance Level) and the terms on which it may receive Extensions of Credit is determined by the Bank's credit underwriting criteria (see Section III.B, Availability of Credit).

Customers are required to have sufficient Qualifying Collateral with the Bank to fully secure all Extensions of Credit with the Bank at all times. Customers that fail to meet their required Collateral Maintenance Level are expected to resolve any deficiencies within 24 hours of notification. Customers that are on blanket collateral status that are later assigned custody collateral status by the Bank must deliver enough Qualifying Collateral to meet their required Collateral Maintenance Level in a period designated by the Bank, not to exceed 45 days.

i. Collateral Verification Guidelines

(i) *Applicability*

These collateral verification guidelines apply to all Members on blanket collateral status. Following the end of each calendar year, the Bank identifies Members that will be subject to collateral verifications during the coming year. Bank personnel conduct collateral verifications on two levels: desktop reviews and onsite reviews. The level of collateral verification the Bank performs for a Member in a given calendar year is generally based on the daily average amount of the Member's blanket lien usage during a specified period as determined by the Bank from time to time. A Member's blanket lien usage is calculated by determining, on a daily basis, the amount of outstanding Advances and other Extensions of Credit not secured by delivered eligible loans, Securities, and Term Deposits delivered to the Bank.

The Bank does not require a collateral verification for a Member with no blanket lien usage during the prior calendar year. Typically, a Member will not have blanket lien usage during a calendar year because (i) it had no outstanding Advances or other Extensions of Credit to the Bank at any time during such calendar year, (ii) it was on delivery collateral status and was complying with the requirements of delivery collateral status, or (iii) it had at all times during such calendar year delivered to the Bank eligible loans, Securities, and Term Deposits with a collateral value that exceeded the Member's outstanding Advances and other Extensions of Credit.

A Member with blanket lien usage during the prior calendar year will be subject to a collateral verification conducted by Bank personnel as provided below. The Bank uses the following guidelines to determine the level of collateral verification required for a Member:

- Each year the Bank determines a threshold dollar amount that will capture Members holding a minimum of 80 percent of the average aggregate daily blanket lien usage during the prior calendar year and then performs an annual onsite review for such Members.

- Any Member with blanket lien usage during the prior calendar year less than the threshold amount described above but with an average daily blanket lien usage equal to or greater than $25,000,000 will undergo an onsite review unless that Member received an onsite review in the prior calendar year in which case the Member will undergo a desktop review.

- Any Member with an average daily blanket lien usage during the prior calendar year less than $25,000,000 and equal to or greater than $5,000,000 will undergo a desktop review, unless the Member had a credit rating of A or B at year end, utilized less than 35% of its blanket capacity and received a collateral verification in the prior calendar year in which case the Member will not

undergo a review. Members with a credit rating of C at year end, that did not receive an onsite review in the prior calendar year will undergo an onsite review.

- Any Member with an average daily blanket lien usage during the prior calendar year less than $5,000,000 and equal to or greater than $250,000 will undergo a desktop review, unless the Member had a credit rating of A or B at year end, utilized less than 35% of its blanket capacity and received a collateral verification in the prior calendar year in which case the Member will not undergo a collateral verification.

- Any Member with an average daily blanket lien usage less than $250,000 during the prior calendar year will not undergo a collateral verification.

- The Bank will apply default ineligible and document exception percentages for Members that have not had a desktop or onsite review in the previous calendar year. A Member's ineligible and document exception percentages are valid for one calendar year after its last onsite or desktop review.

Default percentages for ineligible loan and documentation exception percentages are derived from the results of all the onsite and desktop reviews conducted during the previous year. New Members approved for blanket collateral status will receive the default documentation exception and ineligible loan percentages until the Bank conducts an onsite review.

The Bank charges Customers fees for desktop and onsite reviews that are determined by the Bank from time to time, but does not charge a Member for the Member's first collateral verification. At any time, a Member who is not required to undergo a desktop review or an onsite review may request that the Bank perform such a review to establish its own ineligible loan or documentation exception percentages. The Bank, however, has no obligation to perform a review under those circumstances and will honor the Member's request based on the availability of Bank personnel.

(ii) *Subprime and Nontraditional Mortgage Collateral*

As part of its collateral verifications, the Bank will monitor and adjust accordingly the value of its Members' subprime and nontraditional mortgage collateral in accordance with the Bank's Subprime and Nontraditional Mortgage Collateral Policy, attached hereto as Exhibit D. The collateral verification process will include steps to validate the Members' confirmation that subprime and nontraditional mortgage loans issued after July 10, 2007 were underwritten in conformance with the federal banking agencies' Interagency Guidance on Nontraditional Mortgage Product Risk (issued October 4, 2006) and Subprime Mortgage Lending (issued July 10, 2007). Any such mortgage loans for which the Bank cannot validate the Members' confirmation will be ineligible for collateral purposes.

(iii) *Levels of Collateral Verification*

(A) Desktop Review

The desktop review is a review of a Member's detailed trial balance as of a date specified by the Bank to identify ineligible collateral, as described in the Collateral Verification Procedures which can be found on the Bank's website (www.fhlb.com). The proportion of the dollar amount of loans in each category of Collateral that the Bank identifies as ineligible to the total dollar amount of loans in such category of Collateral is known as the ineligible loan percentage.

(B) Onsite Verification

The onsite Verification occurs at the Member's place of business (or other place where the collateral is located) and involves a detailed review of representative samples of loan portfolios. The Bank uses the onsite Verification to identify documentation exceptions and ineligible loans and

to calculate the Member's documentation exception percentage and ineligible loan percentage.

3. Other Limitations on Collateral

a. Non-residential loan collateral

The combined amount of eligible loan collateral not classified as First Mortgage Collateral, HFS Loans or Qualifying HFS Loans securing Extensions of Credit may not exceed 300 percent of a Borrower's Tier 1 capital.

b. Paycheck Protection Program (PPP) loans

Loans originated as part of the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) pledged to the Bank may not exceed the lesser of 20 percent of a member's total borrowing capacity or $5 billion in collateral value for any one member.

IV. Correspondent Services

The Bank's Correspondent Services offer efficient, simplified cash management. The Bank establishes DDAs for all Customers. A Customer's DDA is the primary transaction account for processing transactions between the Bank and a Customer. Customers can use SecureConnect to transfer funds between accounts, execute outgoing wire transfers, and view statement and transaction activity.

A. Deposit Account Services

1. Demand Deposit Accounts

a. Pricing and Fees

The Bank offers interest-bearing DDAs to all Customers. All collected balances earn a market interest rate so there is no need to transfer balances between accounts. The market interest rate is calculated on a daily basis at a spread to the interest on excess reserves (IOER) rate set by the Federal Open Market Committee (FOMC). Please visit the Bank's website (www.fhlb.com) for details regarding the fees charged for various DDA services.

b. Uses of Demand Deposit Accounts

The Bank's DDAs offer centralized account handling with the flexibility to accommodate all types of transactions. The Customer may have separate accounts for different kinds of transactions or for different branch offices. Typical uses of DDAs include:

- General operating accounts;
- MPF settlement accounts;
- Dividend and interest accounts;
- Settlement accounts;
- Loan disbursement accounts;
- Payroll accounts;
- Escrow accounts; and
- Zero balance accounts.

2. Term Deposits

The Bank offers fixed rate and variable rate non-callable and callable deposits with maturities ranging from overnight to 10 years. Customers may invest in these deposits by contacting the Bank. In addition, the deposits

are generally offered to Borrowers on a weekly basis via auctions that are conducted on SecureConnect.

The auctions are conducted through the Bank's SecureConnect web portal. Auction participants are able to view all auction bids and bid accordingly. The result is a convenient means for Borrowers to invest their excess liquidity and earn a competitive return. Selected maturity ranges and terms are offered at each auction. All interest payments are deposited into Borrowers' DDAs. The auctions are announced via the Bank's website (www.fhlb.com) and on SecureConnect. The auctions are available **ONLY** to Borrowers that are connected to the SecureConnect network.

a. Features of Term Deposits

(i) Fixed Rate Deposit

The fixed rate-fixed term deposit offers a fixed coupon and a fixed maturity. The fixed rate-fixed term deposit auction provides Borrowers with an investment alternative to the traditional money market options and short term investments. There are no broker fees. The deposits are withdrawn from the Borrower's DDA and redeposited at maturity.

(ii) Variable Rate Deposit

The Bank's variable rate deposit offers Borrowers an option to invest funds for a specific term and receive a variable interest rate return. The variable rate deposit's interest rate will adjust, based on the selected index, such as the New York Fed Effective Fed Funds Rate plus or minus an applicable spread. The variable rate deposit allows Borrowers to take advantage of interest rate moves in the markets over a specific term.

(iii) Callable Deposits

All callable deposits have a fixed coupon, a stated maturity date, and a call provision that gives the Bank the right to call the deposit at par (redeem the deposit for cash at its face value plus accrued interest) on any specified call date prior to its stated maturity date. Additional information regarding callable deposits is available on SecureConnect.

(iv) Other Features Common to All Term Deposits

If a deposit matures or is called on a day other than a Business Day, the principal plus interest due will be credited to the Borrower's DDA the following Business Day. Interest will be calculated through the day preceding the call or maturity date of the deposit.

b. Pricing

The Bank prices all fixed rate, callable and non-callable, and variable rate deposits relative to the liabilities the Bank issues or can issue in the capital markets.

B. Wire Transfers

The Bank's comprehensive wire transfer service allows Customers to execute wire transfer transactions (both domestic and international) through their DDA and receive same-day credit on all incoming funds transfers received before close of business.

1. Types of Wire Transfers

The Bank offers the following five types of wire transfer transactions all of which may be executed through SecureConnect:

a. Repetitive Wire Transfers

A repetitive wire transfer is typically established by a Customer if (i) funds are moved regularly between two specific accounts and (ii) the Customer has established payment instructions for a receiving institution. Repetitive wire transfers contain predefined information established by the Customer which cannot be altered. Once a repetitive wire transfer has been established, only the dollar amount of a funds transfer may be changed.

In order to establish and execute a repetitive wire transfer, the Bank must have an assigned repeat code on file for such particular repetitive wire transfer. A repeat code will be assigned to a particular repetitive wire transfer once (i) the Customer completes and submits to the Bank's Member Services Desk a Repetitive Wire Transfer Form and (ii) the predefined data from this Form is entered into the Bank's systems. The repeat code allows the Customer to access the predefined data on a repetitive basis without having to re-enter the data.

b. Semi-repetitive Wire Transfers

A semi-repetitive wire transfer is useful when a Customer wants to initiate the same basic wire transfer but needs to alter more than just the dollar amount each time. The Repetitive Wire Transfer Form is also used to establish semi-repetitive wire transfers.

c. Non-repetitive Wire Transfers

Non-repetitive wire transfers are executed individually, and require completion of all information for execution of the wire transfer. These wire transfers do not have assigned repeat codes. Secondary authorization is required for all non-repetitive wire transfers.

d. Internal Wire Transfers

Internal wire transfers are performed by moving funds from one DDA of the Customer into another DDA of such Customer. Internal wire transfers may be initiated through SecureConnect or phoned in to the Member Services Desk.

e. Drawdown Requests

Drawdown requests are wire transfer requests sent by a Customer to initiate a wire transfer from its own account. Drawdown requests are also known as reverse wires or self wire transfers.

f. Office of Foreign Asset Control ("OFAC")

All wire transfer transactions are subject to the provisions of the U.S. Treasury's regulations under OFAC.

2. Pricing

Please refer to the current Correspondent Services Product Guide for detail regarding fees and pricing.

V. Safekeeping Services

A. Custodial Agent for Customers

The Bank acts as a custodial agent for Customers in securities transactions for all types of publicly traded financial instruments. Upon receipt of instructions via fax, e-mail or electronic transmission, the Bank executes the settlement, the receipt, or the delivery of securities through its master custodian. Principal and interest payments, redemptions, and maturities on securities held by the Bank are posted to a Customer's DDA. The Bank also acts on behalf of its securities customers to aid in the timely resolution of questions relating to the securities being held.

1. Types of Services

a. Security Trade Settlement Processing

The Bank will provide security trade settlement processing for all Federal Reserve book-entry, DTC (Depository Trust Company), or physical securities via the Required Trade Information Form which is available in the Securities Safekeeping Guide and on the Bank's website (www.fhlb.com). Each security settlement requiring a payment transaction is applied against the Customer's DDA, thereby eliminating the need for separate broker accounts.

b. Security Transfer Processing

A Customer may transfer securities from its main account to one of its subaccounts or from one of its subaccounts to its main account. This process does not allow for partial movement of a holding, or the transfer of holdings pledged as collateral to the Bank or a third party.

c. Notification of Maturing Pledged Securities

Prior to the maturity date of a security that is pledged to a third party, a "Maturing Pledged Security Notice" is sent to the Customer via email. On the "Maturing Pledged Security Notice" the Customer will indicate whether it wishes to have the pledge of the security released or substitute the maturing security with another security as described on the "Maturing Pledged Security Notice." In either case, the Customer will need to complete the Form of Release of Pledged Collateral with the required signatures in order to receive the funds from the maturing security. The Form of Release of Pledged Collateral is on the Bank's website (www.fhlb.com).

If the Customer indicates on the "Maturing Pledged Security Notice" that it is substituting the maturing security with another security, all rights and obligations of the Customer, the Bank, and the pledgee under the Bank's Form of Custodial Agreement and Confirm, including the grant of a security interest in such Collateral in favor of the pledgee as set forth in the Custodial Agreement and Confirm, shall automatically apply to the substituted security. The Form of Custodial Agreement and Confirm is on the Bank's website (www.fhlb.com).

d. Claims Processing

The Bank's Member Services Desk provides timely resolution of payment problems involving principal and interest, maturities, calls, or other transactions that have the potential to reduce income flow to the Customer. The Bank will also notify a Customer if there are any changes in income for a security.

e. Securities Information

Upon a Customer's request, the Bank's Member Services Desk will verify that a Customer's securities are not listed as stolen or lost. A SIC Missing/Lost/Stolen/Counterfeit Securities form is available and can be completed online through SecureConnect.

f. Research

At the request of a Customer which should be made using the Bank's Form of Research Request, the Member Services Desk of the Bank will research questions concerning payments on securities held for a Customer. This research includes, among others, researching received or missing payments. A Research Request Form is available online through SecureConnect or on the Bank's website (www.fhlb.com).

2. Pricing

For detail regarding pricing and fees, please see the Bank's Securities Safekeeping Guide which is available on

the Bank's website (www.fhlb.com).

B. Collateral

The Bank, acting as agent, accepts the receipt of Securities as collateral for Customers' Extensions of Credit. These Securities are analyzed and assigned a collateral value by the Bank based on the market price of the Securities, the outstanding principal balance of the Securities, and the applicable haircut. A market price is assigned to each Security through the Bank's use of a third-party vendor of securities prices. If a market price for a Security is not available from the securities prices vendor, the Bank may assign a market price to the Security. Once a collateral value has been assigned to a Security, the Security is available to be pledged to secure Extensions of Credit.

C. Third-Party Custodian

The Bank, acting as a custodian, accepts the receipt of securities and Standby Letters of Credit from its Customers as collateral for the benefit of third parties. Under this arrangement, a Customer pledges securities or a Standby Letter of Credit to a third party and instructs the Bank to hold such securities or Standby Letter of Credit for the benefit of the third party. Typically, a Customer enters into this arrangement to collateralize uninsured deposits (amounts greater than FDIC standard deposit insurance limit) that a public or municipal entity has on deposit at such Customer's institution.

1. Securities

The Bank agrees to act as a third-party custodian for securities pledged by a Customer to a third party pursuant to the terms and conditions of the Bank's Form of Custodial Agreement and Confirm which is executed by the Customer, the third party, and the Bank, as custodian. Pursuant to such agreement and the Bank's unique numeric code reporting system, a Customer can instruct the Bank to pledge and/or segregate all or part of an identified security to a specified third party. The Bank also offers subaccounts for Customers to segregate securities.

A copy of the Custodial Agreement and Confirm as well as instructions for establishing this tri-party arrangement is provided in the Securities Safekeeping Guide on the Bank's website (www.fhlb.com).

2. Letters of Credit

The Bank agrees to act as a third-party custodian for custodial Standby Letters of Credit delivered by a Customer to the Bank for the benefit of a public or municipal depositor pursuant to the terms and conditions of the Bank's Form of Agreement to Secure Public Unit Deposits which is executed by the Customer, a public or municipal depositor, and the Bank, as custodian. Under this arrangement, a Customer uses all or a portion of a custodial Standby Letter of Credit issued by the Bank to secure a public or municipal depositor's deposits with such Customer. The Bank issues this custodial Standby Letter of Credit in favor of the Bank, as a custodian for each of the public or municipal depositors to which the Customer has allocated a portion of the custodial Standby Letter of Credit. As a result of this arrangement, the Customer can use one custodial Standby Letter of Credit as collateral to secure public unit deposits for multiple depositors and can change the amount of the custodial Standby Letter of Credit allocated to a particular depositor as deposits increase or decrease without the need for a new Standby Letter of Credit.

For additional information regarding this custodial Standby Letter of Credit, please see Section III.A.2. (Standby Letters of Credit and Confirmations) of this Policy.

VI. Community Investment

A. Affordable Housing Program

The Affordable Housing Program (AHP) is a cash grant program that benefits projects targeting very low-, low-,

and moderate-income households. As required by the Federal Home Loan Bank Act, the Bank allocates 10 percent of its annual pre-assessment income (as adjusted for interest expense on mandatorily redeemable capital stock) to AHP for grants to be awarded the following year. The details of the Bank's AHP are contained in the Bank's AHP Implementation Plan.

In addition to the AHP, the Bank may offer additional voluntary programs which will be described within the Community section of the Bank's website. The Bank provides CICA funds to Members through grants of direct cash payments or Advances. CICA funds to Housing Associates and State Housing Finance Agencies are provided through Advances. CICA Advances are subject to the Bank's standard requirements for Advances, such as providing Qualifying Collateral, as discussed elsewhere in this Policy.

The individual or organization that is the ultimate recipient of CICA funds must meet certain eligibility requirements set forth in the Regulations, this Policy and in any documents published by the Bank relating to a CICA program.

In addition to the CICA programs described below, the Bank may from time to time offer other CICA programs to benefit certain individuals or organizations.

B. Community Investment Program

1. Purpose

The Bank through its CIP provides at-cost Advances to Members to assist Members in funding affordable housing for eligible households or qualified economic development projects. CIP Advances may be used for a number of purposes including, but not limited to, financing the purchase, construction and/or rehabilitation of owner-occupied and rental housing for eligible households or qualified economic development projects. CIP Advances must be used to fund the Member's financing to the underlying household or project.

Members may also receive CIP pricing for Standby Letters of Credit and Confirmations that will be used to fund affordable housing for eligible households. CIP-priced Standby Letters of Credit and Confirmations are subject to the Bank's standard requirements for Standby Letters of Credit and Confirmations, as discussed elsewhere in this Policy.

Unless otherwise stated, CIP Advances and CIP-priced Standby Letters of Credit and Confirmations will be referred to collectively as "CIP Advances."

2. Qualifications

Only the Bank's Members may apply for CIP Advances. Housing Associates and State Housing Finance Agencies may not apply for CIP Advances.

- To qualify for CIP Housing Advances, households must meet certain eligibility requirements outlined in the Regulations and in the Bank's CIP guidelines and application. For individual owner-occupied housing properties, the CIP Advance must benefit households with incomes at or below 115% of the Area Median Income. For multiple units of owner-occupied housing or for rental properties, at least 51% of the households must have incomes at or below 115% of the Area Median Income. For Manufactured Housing Parks qualification, (i) at least 51 percent of the units are occupied by families with incomes at or below 115 percent of area median income, (ii) the rents for at least 51 percent of the units do not exceed 30 percent of the income for families with incomes at or below 115 percent of area median income or (iii) the manufactured housing park is located in a census tract with a median income at or below 115 percent of the area median income.

- To qualify for CIP Economic Development Advances, the project must (i) be located in a census tract where the median income is at or below 80 percent of the area median income, (ii) be located in a Champion

Community, Empowerment Zone, Enterprise Community, or Indian area, (iii) create or retain jobs, other than construction jobs, where the annual salaries for at least 51 percent of the permanent full- and part-time jobs, computed on a FTE basis, are at or below 80 percent of area median income, or (iv) primarily serve or benefit individuals or families that have incomes at or below 80 percent of area median income.

- To qualify for a Mixed-Use CIP Advance, the project must satisfy the targeted income requirements of at least ONE of the aforementioned eligibility criteria listed under CIP Housing Advance and CIP Economic Development Advance.

- The CIP Advance must be for financing for loans or qualified purchases that have closed in the past 3 months or that will be originated within 3 months from the date of the commitment. If funding for a project has closed prior to issuance of a CIP Advance commitment, the commitment expiration date will be 3 months after the project closing date (or such earlier date as requested by the Borrower).

3. Funding

CIP Advances are available to Members throughout the year. A Member must complete a written application to apply for a CIP Advance.

Advances under the CIP program are available in terms ranging from three months to forty years. The term of the CIP Advance cannot exceed the term of any financing that the Member is making to the project. The Advance can be fixed rate or floating rate, amortizing or nonamortizing.

The Bank prices CIP Advances at interest rates below the Bank's standard pricing and SecureConnect pricing for Advances with comparable maturities.

The Bank will guarantee the interest rate for a qualified CIP Advance upon payment by the Member of a commitment fee. The Bank will from time to time establish the commitment fees for CIP Advances, which commitment fees may differ depending on whether the commitment is mandatory or optional or based on the term of the commitment. The project must have required funding in the past 3 months or must require funding within 3 months from the date of the commitment. If funding for a project has closed prior to issuance of a CIP Advance commitment, the commitment expiration date will be 3 months after the project closing date (or such earlier date as requested by the Borrower).

If the Bank determines that the CIP Advance has been improperly used, the Bank may convert the interest rate on the CIP Advance to the market interest rate for a comparable Advance at the time the Bank makes such determination. The market interest rate will remain in place for the remaining term of the CIP Advance.

C. Economic Development Program

1. Purpose

The Bank through its EDP provides at-cost Advances to Borrowers to assist Borrowers in funding qualified economic and commercial development projects benefiting or located in certain communities. EDP Advances may be used for a number of purposes including, but not limited to, construction, small business financing, public works projects, and historic preservation. EDP Advances must be used to fund the Borrower's financing to the underlying project.

Borrowers may also receive EDP pricing for Standby Letters of Credit and Confirmations that will be used to fund qualified projects. EDP-priced Standby Letters of Credit and Confirmations are subject to the Bank's standard requirements for Standby Letters of Credit and Confirmations, as discussed elsewhere in this Policy.

Unless otherwise stated, EDP Advances and EDP-priced Standby Letters of Credit and Confirmations will be referred to collectively as "EDP Advances."

2. Qualifications

To qualify for an EDP Advance, the project must meet certain eligibility requirements outlined in the Regulations and in the Bank's EDP guidelines and application. A project may qualify for an EDP Advance if (i) the project is located in a certain geographical area, (ii) the project is located in an area in which the majority of households have incomes at or below a specified percentage of the Area Median Income, (iii) the project will provide services that will benefit at least 51% of households with incomes at or below the qualifying percentage of the Area Median Income, (iv) the project will create and/or retain jobs for low- to moderate-income individuals, (v) the project qualifies as a small business, as defined by the Small Business Administration, or (vi) the project is for a targeted beneficiary approved by the Finance Agency. In addition, a Mixed-Use project will qualify for a Mixed Use EDP Advance if the project meets one of the aforementioned eligibility criteria. There are no eligibility criteria for the housing portion of the project under a Mixed Use EDP Advance. The EDP Advance must be for financing for a project that required financing within the past 3 months or that will require financing within 3 months from the date of the commitment. If funding for a project has closed prior to issuance of an EDP Advance commitment, the commitment expiration date will be 3 months after the project closing date (or such earlier date as requested by the Borrower).

3. Funding

EDP Advances are available to Borrowers throughout the year. A Borrower must complete a written application to apply for an EDP Advance.

Advances under the EDP program are available in terms ranging from three months to thirty years. The term of the EDP Advance cannot exceed the term of any financing that the Borrower is making to the project. The Advance can be fixed rate or floating rate, amortizing or nonamortizing.

The Bank prices EDP Advances at interest rates below the Bank's standard pricing and SecureConnect pricing for Advances with comparable maturities.

The Bank will guarantee the interest rate for a qualified EDP Advance upon payment by the Borrower of a commitment fee. The Bank will from time to time establish the commitment fees for EDP Advances, which commitment fees may differ depending on whether the commitment is mandatory or optional or based on the term of the commitment. The project must have required funding in the past 3 months or must require funding within the next 3 months from the date of the commitment. If funding for a project has closed prior to issuance of an EDP Advance commitment, the commitment expiration date will be 3 months after the project closing date (or such earlier date as requested by the Borrower).

If the Bank determines that the EDP Advance has been improperly used, the Bank may convert the interest rate on the EDP Advance to the market interest rate for a comparable Advance at the time the Bank makes such determination. The market interest rate will remain in place for the remaining term of the EDP Advance.

D. Small Business Boost

1. Purpose

Small Business Boost (SBB) provides recoverable assistance to finance the startup or the expansion of qualified small businesses. SBB funds are intended to help participating members provide financing for qualified small businesses by filling the gap between the loan request made by an eligible small business and what the member can finance. SBB is provided to members as a secondary, unsecured loan in conjunction with a loan made by the member to the small business. For example, SBB can fill gaps in financing due to a small business' lack of equity, shortfall in collateral, or initial cash flow challenges. No payment is due on the SBB loan during the first year. Principal amortization begins in year two at which time the member may charge up to 3 percent interest per annum on the SBB loan. FHLB interest of 3 percent interest per annum begins in year three.

SBB funds may be used to help small businesses with building purchases, land acquisition and construction,

facility expansion, machinery and equipment purchases, permanent working capital, leasehold improvements and/or closing costs.

2. Qualifications

The small business must meet certain requirements as outlined in the Bank's SBB Program Manual and application. Each applicant must qualify as a small business based on Small Business Administration (SBA) size standards. In addition, one job must be created or retained for every $50,000 in SBB loan proceeds obtained. If this requirement will not be met, then other economic impact must be demonstrated in the application. The Bank reserves the right in its sole discretion to deny SBB loans to small businesses if the loans do not meet the program's objectives.

3. Funding

The Bank may allocate a certain dollar amount of SBB funds each year which are available to members during specified funding rounds on a first-come, first-served, business-by-business basis until the funds are exhausted. A member must complete a written application to apply for SBB funds. If the Bank determines that the SBB funds have been improperly used, it may require immediate repayment of the SBB funds.

E. Disaster Relief Program

1. Purpose

The Bank through its Disaster Relief Program provides Advances to Borrowers to assist with financing projects that assist in the recovery efforts in federally declared disaster areas in the District. Disaster Relief Program Advances are available for a period designated by the Bank following a federally declared disaster in the District. Disaster Relief Program Advances may be used for a number of purposes including, but not limited to, funding residential or commercial properties, community facilities, equipment and inventory or personal property.

Borrowers may also receive Disaster Relief Program pricing for Standby Letters of Credit and Confirmations that will be used to fund qualified projects. Disaster Relief Program-priced Standby Letters of Credit and Confirmations are subject to the Bank's standard requirements for Standby Letters of Credit and Confirmations, as discussed elsewhere in this Policy.

Unless otherwise stated, Disaster Relief Program Advances and Disaster Relief Program-priced Standby Letters of Credit and Confirmations will be referred to collectively as "Disaster Relief Program Advances."

2. Qualifications

Borrowers located in or with branch offices in a federally declared disaster area in the District may apply for Disaster Relief Program Advances on behalf of individuals and organizations whose homes or businesses were damaged or destroyed. Disaster Relief Program Advances may aid (i) individuals with incomes at or below 165% of the Area Median Income, (ii) businesses located in communities in which the average family income is at or below 165% of the Area Median Income, or (iii) businesses that will create jobs for individuals with incomes at or below 165% of the Area Median Income.

3. Funding

A Borrower must complete a written application to apply for a Disaster Relief Program Advance.

Advances under the Disaster Relief Program are available in terms ranging from three months to forty years. The term of the Disaster Relief Program Advance cannot exceed the term of any loan that the Borrower is making to the project. The Advance can be fixed rate or floating rate, amortizing or nonamortizing.

Disaster Relief Program Advances are generally priced below the Bank's regular CIP Advance interest rates.

The Bank will guarantee the interest rate for a qualified Disaster Relief Program Advance upon payment by the Borrower of a commitment fee. The Bank will from time to time establish the commitment fees for Disaster Relief Program Advances, which commitment fees may differ depending on whether the commitment is mandatory or optional or based on the term of the commitment. The Borrower must request the commitment within a period designated by the Bank following a federally declared disaster in the District.

If the Bank determines that the Disaster Relief Program Advance has been improperly used, the Bank may convert the interest rate on the Disaster Relief Program Advance to the market interest rate for a comparable Advance at the time the Bank makes such determination, which market interest rate will remain in place for the remaining term of the Disaster Relief Program Advance.

F. Limitations

1. Limit on CICA Advances to Borrowers

CICA Advances may not exceed, at the time the CICA Advance is approved, the lesser of (i) 15% of a Borrower's total assets or (ii) $200 million.

2. Percent of CICA Advances to Percent of Bank's Total Advances

The aggregate amount of the Bank's CICA Advances to all Customers may not exceed 10% of the Bank's total outstanding Advances.

VII. Miscellaneous

A. Audit Confirmations

A Customer that requires information from the Bank related to an audit should complete the Bank's Form of Audit Confirmation Request. Upon receipt of a completed Audit Confirmation Request, the Bank will provide the information requested in a timely manner.

B. Operations and Systems

The Chief Executive Officer of the Bank is responsible for the maintenance of appropriate systems, procedures, internal controls and operational and personnel capacity to ensure the maintenance of appropriate systems, procedures, internal controls, and operational and personnel capacity. The Chief Executive Officer of the Bank relies on experts from areas such as Operations, Corporate Communications, Member Sales and Capital Markets, Accounting, Legal, Strategy, and Risk Management. The Chief Risk Officer is responsible for the development of the methodology for measuring credit, market and operational risks. The Chief Audit Executive is responsible for determining the effectiveness and integrity of the controls, that the policies and delegated responsibilities are actually being followed, and the resulting processes are effective.

C. Contact Information

For additional copies of this Policy or related materials, please contact the Member Services Desk and Capital Markets Group at the Bank.

Toll Free Number:	844.345.2265
Phone Number:	214.441.8444
Street Address:	8500 Freeport Parkway South, Suite 600 Irving, Texas 75063-2547
Post Office Box:	P.O. Box 619026 Dallas, Texas 75261-9026

E-mail Address: member.services@fhlb.com

Website: www.fhlb.com

EXHIBITS

Exhibit A – Definitions
Exhibit B – Prepayment Fee Policy
Exhibit C – Anti-Predatory Lending Policy
Exhibit D – Subprime Lending Policy

EXHIBIT A
Definitions

Acquired Member Assets or **AMA** means specified assets that may be acquired by the Bank from or through Members or Housing Associates by means of either a purchase or a funding transaction, subject to certain requirements.

Act means the Federal Home Loan Bank Act, as amended from time to time.

Advance means a loan or advance from the Bank to a Member or Housing Associate.

Affiliate means any business entity that controls, is controlled by, or is under common control with, a Member.

AHP means the Bank's Affordable Housing Program, through which the Bank provides grants or Subsidized Advances to Members to assist in the development of affordable owner-occupied and rental housing for very low-, low- and moderate-income families. Details regarding the AHP are in the Implementation Plan.

ALCO means the Bank's Asset/Liability Committee.

Anti-Predatory Lending Laws means applicable federal, state, and local anti-predatory lending laws and the laws, regulations, orders, interpretations, agreements, and other similarly binding documents issued or enforced by a Member's primary regulator designed to prevent or regulate predatory lending practices and loan terms.

APL Policy means the Bank's Anti-Predatory Lending Policy as set forth in Exhibit C of this Policy.

Applicant means an institution that is applying for membership in the Bank or for certification as a Housing Associate.

Appropriate Federal Banking Agency means –

1. the OCC, in the case of any national banking association, federally chartered Savings Association, savings and loan holding company or Federal branch or agency of a foreign bank;
2. the FRB, in the case of –
   - (A) any State member insured bank,
   - (B) any branch or agency of a foreign bank with respect to any provision of the Federal Reserve Act (12 U.S.C. § 221 et seq.) that is made applicable under the International Banking Act of 1978 (12 U.S.C. § 1301 et seq.),
   - (C) any foreign bank that does not operate an insured branch,
   - (D) any agency or commercial lending company other than a Federal agency,
   - (E) supervisory or regulatory proceedings arising from the authority given to the FRB under Section 7(c)(1) of the International Banking Act of 1978 (12 U.S.C. § 3105(c)(1)), including such proceedings under the Financial Institutions Supervisory Act of 1966, and
   - (F) any bank holding company and any subsidiary of a bank holding company (other than a bank),
3. the FDIC in the case of a State nonmember insured bank, or a foreign bank having an insured branch, and
4. the NCUA in the case of federally-insured Credit Unions.

Appropriate Regulator means the FDIC, FRB, NCUA, OCC, or an Appropriate State Regulator and, in the case of an insurance company, an Appropriate State Regulator accredited by the National Association of Insurance Commissioners.

Appropriate State Regulator means any state officer, agency, supervisor, or other entity that has regulatory authority over, or is empowered to institute enforcement action against, a particular institution.

Area Median Income means, with respect to a particular area, –

1. for purposes of the Bank's AHP programs, the median income for the area as determined by HUD (with adjustments for family size); and

2. for purposes of the Bank's other CICA programs, the median income for the area for a family of four, as determined by HUD.

Bank means the Federal Home Loan Bank of Dallas.

Beneficiary means the person or entity in favor of whom a Standby Letter of Credit or Confirmation is used and who is entitled under the terms of the Standby Letter of Credit or Confirmation to draw or demand payment.

Board means the Bank's Board of Directors.

Borrower means a Member, a Housing Associate or a State Housing Finance Agency.

Business Day means any day that the Bank is open for business.

Capital Deficient Member means a Member that fails to meet its minimum regulatory capital requirements as defined or otherwise required by the Member's Appropriate Federal Banking Agency, Insurer or, in the case of Members that are not Federally Insured Depository Institutions, State Regulator.

Capital Plan means the Capital Plan for the Federal Home Loan Bank of Dallas, as amended from time to time.

Capital Stock means all of the Class B Stock of the Bank held by a Member or Non-Member Borrower and all payments that have been or hereafter are made on account of subscriptions to and all declared and unpaid dividends on such Class B Stock.

CDFI or **Community Development Financial Institution** means an institution that is certified as a community development financial institution by the CDFI Fund under the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 et seq.), other than:

1. a bank or savings association insured under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.);
2. a holding company for such a bank or savings association, or
3. a credit union that has Federal Share Insurance.

CDFI Credit Union means a state-chartered credit union that has been certified as a CDFI by the CDFI Fund and that does not have Federal Share Insurance.

CDFI Fund means the Community Development Financial Institutions Fund established under section 104(a) of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4703(a)).

CFI or **Community Financial Institution** means an institution -

1. the deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. § 1811, *et seq.*) and
2. that has, as of the date of the transaction at issue, less than the CFI Asset Cap in total assets over three years, which shall be calculated by the Bank
   - (A) for membership purposes, based on the average of total assets drawn from the institution's Regulatory Financial Reports filed with its Appropriate Regulator for the most recent calendar quarter and the immediately preceding eleven (11) calendar quarters and
   - (B) for Advances purposes (i) based on the average of total assets drawn from the institution's Regulatory Financial Reports filed with its Appropriate Regulator for the three most recent calendar year-ends and (ii) annually, and shall be effective April 1 of each year.

CFI Asset Cap means the greater of (a) $1,000,000,000 and (b) the cap on average total assets of an institution most recently published by the Director in the Federal Register.

CFI Collateral has the meaning specified in Section III.C.2.b.ix of this Policy.

CICA means the Bank's Community Investment Cash Advance programs, including AHP, CIP, EDP, SBB, Disaster Relief Program, and any other Advance or grant program offered by the Bank to benefit certain individuals or organizations.

CIP means the Bank's Community Investment Program, through which the Bank provides at-cost Advances designed to provide Members with low-cost funds for affordable housing for eligible households or qualified economic development projects.

CIP Housing Advance means an Advance for affordable housing for eligible households under the CIP.

CIP Economic Development Advance means an Advance for a qualified economic development project under the CIP.

Class B Stock means Class B Capital Stock, $100 par value per share, of the Bank.

Collateral means -

1. First Mortgage Collateral,
2. Other Real Estate Related Collateral,
3. HFS Loans,
4. Qualifying HFS Loans,
5. Capital Stock,
6. Term Deposits,
7. Securities,
8. Small Business Administration Guaranteed Loans,
9. CFI Collateral,
10. all securities representing undivided equity interests in any of the above categories of Collateral, and
11. all other property as may be accepted by the Bank as collateral from time to time pursuant to the terms of the Bank's borrowing agreement.

Collateral Maintenance Level means the level of Collateral a Borrower is required to maintain, designated by the Bank as a percentage of a Borrower's outstanding indebtedness to the Bank.

Confirmation means an undertaking by the Bank to a Beneficiary, at the request or with the consent of a Member or Housing Associate, under the terms of the confirmation, to honor a draw or demand for payment under a letter of credit already issued by a Member or Housing Associate.

Consolidated Obligations or **COs** means FHLBank debt instruments (bonds and discount notes) that are issued in the capital markets through the Office of Finance that are joint and several liabilities of all FHLBanks.

CRC means the Bank's Credit Risk Committee.

Credit Union means a credit union as defined in Section 101 of the Federal Credit Union Act (12 U.S.C. § 1752).

Custodial Fluctuating Balance Letters of Credit means a custodial Standby Letter of Credit whose fees are charged quarterly in arrears based on utilization as opposed to an upfront issuance fee.

Customer means a Member, a Housing Associate, a State Housing Finance Agency or a Non-Member Borrower.

DDA means a demand Deposit Account.

Daily Update has the meaning specified in Section III.C.2.g.(vi).

De Novo Applicant means an Applicant that is a Federally Insured Depository Institution whose date of charter approval is within three years prior to the date the Bank receives the Applicant's application for membership.

Deposit Account means any and all of the deposit accounts of a Member with the Bank, including, without limitation, all cash and other funds therein.

Depository Institution means a bank, Savings Association, or Credit Union.

Director means the Director of the Finance Agency.

Disaster Relief Program means the Bank's CICA through which the Bank provides Advances to Members and Housing Associates to assist with financing projects that assist in the recovery efforts in federally declared disaster areas in the District.

District means the Ninth District of the Federal Home Loan Bank System, comprised of the states of Arkansas, Louisiana, Mississippi, New Mexico, and Texas.

DN Rate means the rate identified on the FHLBank System's Office of Finance's web site (www.fhlb-of.com) (or any successor location) as the 4-Week MMY (money market yield), 8-Week MMY, 13-Week MMY or 26-Week MMY, as applicable, for FHLBank Discount Notes for the applicable auction date.

EDP means the Bank's Economic Development Program, through which the Bank offers at-cost Advances to Members and Housing Associates that are making loans for economic and commercial development projects benefiting or located in certain communities.

Excess Stock means Class B Stock in excess of a Member's minimum investment requirement established in the Capital Plan.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time.

Extension of Credit means an Advance, an overdraft, a Standby Letter of Credit, a Confirmation, an interest rate derivative, an obligation under the MPF Program (including, without limitation, a credit enhancement obligation), or other extension of credit from the Bank to a Member or Housing Associate.

Fannie Mae means the Federal National Mortgage Association.

FDIC means the Federal Deposit Insurance Corporation or any successor regulator.

Federally Insured Depository Institution means –

1. an insured Depository Institution (as defined in Section 3 of the Federal Deposit Insurance Act (12 U.S.C. § 1813)), and
2. except as used in Sections 21A and 21B of the Act, an NCUA insured credit union (as defined in Section 101 of the Federal Credit Union Act (12 U.S.C. § 1752)).

FHA means the Federal Housing Administration, part of the Department of Housing and Urban Development's (HUD) Office of Housing.

Federal Share Insurance means insurance coverage of credit union member accounts provided by the National Credit Union Share Insurance Fund under subchapter II of the Federal Credit Union Act (12 U.S.C. 1781 et seq.).

FHLBank means a Federal Home Loan Bank.

FHLBank System Consolidated Obligations Curve or **FHLBank CO Curve** means the market-observable curve constructed by the FHLBank System's Office of Finance using the U.S. Treasury Curve as a base curve which is then

adjusted by adding indicative spreads obtained largely from market observable sources generally derived from pricing indications from dealers, historical pricing relationships, market activity such as recent GSE trades, and other secondary market activity.

Finance Agency means the Federal Housing Finance Agency, an independent regulatory agency of the executive branch of the United States Government that regulates the FHLBanks, Fannie Mae, and Freddie Mac, or any successor regulator.

FIRREA means the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

First Mortgage Collateral has the meaning specified in Section III.C.2.b.i of this Policy.

Fluctuating Balance Letters of Credit means a Standby Letter of Credit serving as collateral for a public unit deposit account(s) whose fees are charged quarterly in arrears based on utilization as opposed to an upfront issuance fee.

FRB means the Board of Governors of the Federal Reserve System or any successor regulator.

Freddie Mac means the Federal Home Loan Mortgage Corporation.

GAAP or **Generally Accepted Accounting Principles** means accounting principles generally accepted in the United States.

GAAS or **Generally Accepted Auditing Standards** means auditing standards generally accepted in the United States.

Ginnie Mae means the Government National Mortgage Association.

GLB Act means the Gramm-Leach-Bliley Act of 1999.

Governmental Agency means the governor, legislature, and any other component of a federal, state, local, tribal, or Alaskan native village government with authority to act for or on behalf of that government.

GSE means government-sponsored enterprise.

HFS means Held for Sale

HFS Loans has the meaning specified in Section III.C.2.b.(xi).

Held for Sale Transition Date means the date established by the Bank by which a Borrower will no longer be permitted to receive Collateral value for HFS Loans or Qualifying HFS Loans.

HFS Approved Borrower has the meaning specified in Section III.B.3.e.(i)(b).

HFS Eligibility Requirements has the meaning specified in Section III.B.3.e.(i)(a).

Housing Associate means an entity that has been certified by the Bank as a Housing Associate and may obtain Advances and other products and services from the Bank if certain requirements are met. An entity may be certified as a Housing Associate if –

1. the entity is approved under Title II of the National Housing Act (12 U.S.C. § 1707, et seq.),
2. the entity is a chartered institution having succession,
3. the entity is subject to the inspection and supervision of some Governmental Agency,
4. the principal activity of the entity in the mortgage field consists of lending its own funds, and
5. the financial condition of the entity is such that Advances may be safely made to it.

HUD means the United States Department of Housing and Urban Development.

Implementation Plan means the written AHP Implementation Plan adopted by the Board of the Bank as in effect from time to time.

Insured Depository Institution means (1) an insured depository institution as defined in section 2(9) of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1422(9)); and (2) to the extent provided under §1263.19, a Non-Federally-Insured Credit Union.

Insurer means the FDIC and the NCUA as applicable.
IRC means the Internal Revenue Code of 1986, as amended from time to time.

LFI or **Large Financial Institution** means an institution that exceeds the CFI Asset Cap or deposits of which are not insured under the Federal Deposit Insurance Act (12 U.S.C. § 1811, *et seq.*).

LIBOR means the London Interbank Offered Rate, provided that, in the event that the Bank determines, in its sole discretion, that:

(i) LIBOR, or any replacement thereof, is suspended, discontinued, not published, or otherwise no longer available, and adequate and reasonable means do not exist for ascertaining LIBOR; or
(ii) LIBOR is no longer a reliable market indicator, even if it continues to be published; or
(iii) Another market accepted index is more suitable to reflect a LIBOR based transactions economic terms intended at issuance considering the Bank's underlying funding and related derivative transactions, other market factors, and the Bank's regulatory requirements,

then, the Bank shall have the right, from time to time, to, in good faith, (1) substitute an alternative benchmark index for LIBOR, which itself may or may not be an interim index, and (2) adjust the spread to LIBOR, as may have been previously adjusted, to maintain the current yield on the adjustable-rate transaction or make the new rate economically neutral, in the sole determination of the Bank, and which, at minimum, complies with the Bank's regulatory requirements. In connection with the foregoing, the Bank may also determine the day count convention, the lookback days, and the rate reset frequency to be used, and any other relevant methodology for calculation of the substitute rate in a manner consistent with the foregoing. The Bank shall provide Customer with notice as soon as practicably possible of any determination made as set forth above and the effective date of any substitutions, adjustments or other changes to LIBOR.

LOC Applicant means a person or entity at whose request or for whose account a Standby Letter of Credit or Confirmation is issued.

Manufactured Housing Park means a community of one or more structures that are transportable in one or more sections, built on a permanent frame and designed to be used as a dwelling when connected to the required utilities.

Member means an institution that has been approved for membership in the Bank, has purchased Class B Stock in the Bank, and continues to be a Member of the Bank.

Mixed-Use means a CIP or EDP project that involves financing for a combination of economic development and affordable housing initiatives.

Monthly Update has the meaning specified in Section III.C.2.g.(vi).

MPF® Program means the Mortgage Partnership Finance® Program through which the Bank may purchase mortgage loans from qualifying Members. Mortgage Partnership Finance and MPF are registered trademarks of the MPF Provider.

MPF Provider means the Federal Home Loan Bank of Chicago or any successor.

MPF Xtra® is a mortgage product offered under the MPF® Program through which Members that have been approved

by the Bank as PFIs are able to sell mortgage loans into the secondary market.

Nondepository CDFI refers to a CDFI that is not a Depository Institution.

Non-Federally Insured Credit Union (NFICU) means a state-chartered credit union that does not have Federal Share Insurance but is insured by American Mutual Share Insurance Corporation (ASI), a private deposit insurance fund, and that has not been certified as a CDFI by the CDFI Fund.

NCUA means the National Credit Union Administration or any successor regulator.

Non-Member Borrower means

1. an institution that is no longer a Member but has Extensions of Credit outstanding or
2. an institution that is not a Member and has acquired a Member (or former Member) and assumed the Extensions of Credit held by that Member (or former Member)

Nationally Recognized Statistical Rating Organization ("NRSRO") means a credit rating organization registered with the **SEC** as a nationally recognized statistical rating organization and acceptable to the Bank.

OCC means the Office of the Comptroller of the Currency or any successor regulator.

Other Real Estate Related Collateral has the meaning specified in Section III.C.2.b.vi of this Policy.

Participating Financial Institution or **PFI** is a Member or Housing Associate which has been approved by the Bank to originate and/or service mortgage loans in the MPF Program.

Par Value means the par value of the Bank's Class B Stock ($100 per share).

Paycheck Protection Program (PPP) loans means loans made through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

PCA means prompt corrective action standards, as determined by a Federal banking agency or the FDIC.

PMI means private mortgage insurance.

Policy means this Member Products & Credit Policy.

Privately-issued Commercial Mortgage-backed Security means a security or instrument issued by a private financial institution (other than a government sponsored entity)), that represents an interest in, or is secured by, one or more pools of commercial mortgage loans, including without limitation, collateralized mortgage obligations (CMOs) and Real Estate Mortgage Investment Trusts (REMICS.

Privately-issued Residential Mortgage-Backed Security means a security or instrument issued by a private financial institution (other than a government sponsored entity) that represents an interest in, or is secured by, one or more pools of residential mortgage loans, including without limitation, collateralized mortgage obligations (CMOs) and Real Estate Mortgage Investment Trusts (REMICS).

Product and Service Guides means the Advances Products Guide, the Implementation Plan, applicable AHP Funding Manuals, , the Community Investment Program Housing Advance Guidelines and Application, the Economic Development Program Community Lending Advance Guidelines and Application, the Disaster Relief Program Housing and Community Lending Advance Guidelines and Application, the SBB Program Manual and Application , the Safekeeping Guide, the Correspondent Services Product Guide, the Securities Safekeeping Circular, the Electronic Payments Security Access Circular, and all other policies, bulletins, schedules, guides, and circulars made available to Customers, each as are in effect from time to time.

PV means present value, defined as the amount that a future sum of money is worth today given a specified rate of

return.

Qualifying Collateral means Collateral that qualifies as security for Extensions of Credit under the Act and the Regulations and that satisfies any requirements that may be established by the Bank, including those requirements set forth in Section III.C.2 of this Policy.

Qualifying HFS Loans has the meaning specified in Section III.C.2.b.(xi).

Qualifying HFS Collateral Value has the meaning specified in Section III.C.2.g.(ii).

Regulations means the regulations promulgated by the Director or its predecessor agencies, located at 12 C.F.R. parts 900 through 998.

Regulatory Examination Report means a written report of examination prepared by an Applicant's or Member's Appropriate Regulator, containing, in the case of Federally Insured Depository Institution Applicants or Members, a composite rating assigned to the institution following the guidelines of the Uniform Financial Institutions Rating System, including a CAMEL rating, a MACRO rating, or other similar rating.

Regulatory Financial Report means a financial report that an Applicant or Member is required to file with its Appropriate Regulator on a specific periodic basis, including the quarterly call report for commercial banks, thrift financial report for Savings Associations, quarterly or semi-annual call report for Credit Unions, the National Association of Insurance Commissioners' annual or quarterly report for insurance companies, or other similar report, including such report maintained by the Appropriate Regulator on a computer on-line database.

SAP or **Statutory Accounting Principles** means accounting principles prescribed by the National Association of Insurance Commissioners for the preparation of an insuring firm's financial statements. **Savings Association** means a savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(b)).

SBB means the Bank's Small Business Boost Program, through which the Bank provides recoverable assistance to small businesses.

SecureConnect means the Bank's secure on-line communication channel through which the Bank provides access to many of its products, services, and reports.

Securities means **–**

1. for Members, (i) U.S. Government and Federal Agency Securities, (ii) Privately-issued Residential Mortgage-backed Securities, (iii) Privately-issued Commercial Mortgage-backed Securities, (iv) State or Municipal Securities and (v) other securities, each as described in Section III.C.2.b. of this Policy;
2. for Housing Associates, insured securities, as described in Section III.C.2.d of this Policy; and
3. for State Housing Finance Agencies using the proceeds of an Advance to facilitate mortgage lending in compliance with 12 C.F.R. § 1266.17(b)(2), (i) U.S. Government and Federal Agency Securities and (ii) Privately-issued Residential Mortgage-backed Securities.

Advance with Optionality means any Advance in which a Member or Housing Associate grants the Bank any of one or more types of options to terminate or convert the Advance or an Advance in which the Member has the option to terminate the Advance at a specific point in time without a prepayment penalty. The Regulations refer to an Advance with Optionality as a "putable" or "convertible" Advance (12 C.F.R. § 1266.5(d)).

Small Business Administration Guaranteed Loans has the meaning specified in Section III.C.2.b.v of this Policy.

SOFR means, on any relevant date of determination, Secured Overnight Financing Rate as published on or about 8:00 a.m. (New York time) on such date on the website of the Federal Reserve Bank of New York ("FRBNY"), currently at http://www.newyorkfed.org, or any successor website of the FRBNY, provided that, in the event that the Bank determines, in its sole discretion, that:

(i) a statement has been issued by the FRBNY (or a successor administrator of SOFR) announcing that it has ceased to publish or will cease to provide SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a secured overnight financing rate;

(ii) there has been a publication of information which reasonably confirms that the FRBNY (or a successor administrator of SOFR) has ceased or will cease to provide SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide SOFR; or

(iii) circumstances have arisen that are unlikely to be temporary, and the Bank, in its commercially reasonable discretion, has deemed it necessary to substitute an alternative, market accepted index and/or adjustment spread for the SOFR in order to maintain economic terms that are consistent with those contemplated for this transaction,

Then the Bank shall calculate SOFR as if references to SOFR were references to the rate, if any, that was recommended as the replacement for SOFR by the Federal Reserve Board and/or the FRBNY or a committee officially endorsed or convened by the Federal Reserve Board and/or the FRBNY for the purpose of recommending a replacement for SOFR (which rate may be produced by a Federal Reserve Bank or other designated administrator, and which rate may include any adjustments or spreads). If no such rate has been recommended within one Business Day of the occurrence of either event referred to in (i), (ii) or (iii) above, then the Bank shall use the Overnight Bank Funding Rate published on the FRBNY's website for any date after the date of such occurrence. If the Bank is required to use the Overnight Bank Funding Rate and (a) a public statement has been issued by the FRBNY (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased to publish or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide an Overnight Bank Funding Rate; or (b) there has been a publication of information which reasonably confirms that the FRBNY (or a successor administrator of the Overnight Bank Funding Rate) has ceased or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate, then for any date after the occurrence of either event referred to in (a) or (b), the Bank shall use the short-term interest rate target set by the Federal Open Market Committee ("FOMC") and published on the FRBNY's website, or if the FOMC has not set a single rate, the mid-point of the short-term interest rate target range set by the FOMC and published on the FRBNY's website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range). The Bank shall provide Customer with notice as soon as practicably possible of any determination made as set forth above and the effective date of any substitutions, adjustments or other changes to SOFR.

Standby Letter of Credit means a definite undertaking by the Bank to a Beneficiary, at the request of or for the account of an LOC Applicant, under the terms of the standby letter of credit, to honor a draw or demand for payment by the Beneficiary.

State Housing Finance Agency means –

1. a public agency, authority, or publicly sponsored corporation that serves as an instrumentality of any state or political subdivision of any state and functions as a source of residential mortgage loan financing in that state; or
2. a legally established agency, authority, corporation, or organization that serves as an instrumentality of any Indian tribe, band, group, nation, community, or Alaskan Native village recognized by the United States or any state, and functions as a source of residential mortgage loan financing for the Indian or Alaskan Native community.

State or Municipal Securities has the meaning specified in Section III.C.2.b.vii of this Policy.

State Regulator means a state insurance commissioner or state regulatory entity with primary responsibility for supervising a Member that is not a Federally Insured Depository Institution.

Subsidized Advance means an Advance to a Member at an interest rate reduced below the Bank's cost of funds by use of a subsidy.

Tangible Capital means –

1. capital, calculated according to GAAP, less “intangible assets” except for purchased mortgage servicing rights to the extent such assets are included in a Member’s core or Tier 1 capital, as reported in the Member’s Report of Condition and Income for Members whose primary federal regulator is the FDIC, the OCC or the FRB;
2. capital calculated according to GAAP, less intangible assets, as defined by the Bank for Members that prepare GAAP financial statements, but are not regulated by the FDIC, the OCC or the FRB; provided that a Bank shall include a Member’s purchased mortgage servicing rights to the extent such assets are included for the purpose of meeting regulatory capital requirements; or
3. capital and surplus calculated according to Statutory Accounting Principles (SAP), less intangible assets, as defined by the Bank for Members that do not prepare GAAP financial statements and are not regulated by the FDIC, the OCC or the FRB; provided that a Bank shall include a Member’s purchased mortgage servicing rights to the extent such assets are included for the purpose of meeting regulatory capital requirements.

Term Deposit means a deposit of a Member or Housing Associate with the Bank that offers the Member or Housing Associate a fixed rate of interest for a specific term.

U.S. Government and Federal Agency Securities means securities issued, insured or guaranteed by the United States Government, or any agency thereof.

EXHIBIT B
Prepayment Fee Policy

The examples in this Prepayment Fee Policy are for illustration purposes only. All prepayment fee amounts shown in the examples include only the prepayment fees and exclude any accrued and unpaid interest and other amounts, if any; contractually payable pursuant to the provisions of the applicable Advance or the Bank's borrowing agreement applicable to that Customer. If there is any conflict between the examples and the other provisions of this Policy, the other provisions of this Policy shall control.

Customers can prepay all Advances for a prepayment fee at any time with at least 24 - 48 hours notification to the Bank.

Except for the prepayment of an advance with a symmetrical prepayment feature, in no event will the prepayment fee be less than zero. The total amount paid to the Bank by the Customer (except for the prepayment of an advance with a symmetrical prepayment feature) will be equal to or greater than the remaining outstanding principal balance and any accrued and unpaid interest and other amounts, if any, contractually payable pursuant to the provisions of the applicable Advance or the Bank's borrowing agreement applicable to that Customer. The total amount paid to the Bank will include any incremental costs to the FHLBD associated with terminating or offsetting any related hedging or funding transactions.

Prior versions of the Prepayment Fee Policy used the U.S. Agency Fair Market Curve to calculate prepayment fees. However, the vendor that maintained this curve discontinued it in May 2014. For prepayments after that date (including prepayments on advances made before May 2014) the Bank has substituted a comparable curve, the FHLBank System Consolidated Obligations curve, for prepayment calculations. Should the FHLBank System Consolidated Obligations curve be discontinued at a future date, the Bank reserves the right to substitute a comparable curve in calculating prepayment fees.

A Customer prepaying an Advance must provide written notice to the Bank (if by mail, to the Bank's mailing address, attention: Member Services; if by email, to member.services@fhlb.com; or, if by fax, to (214) 441-8514), and such notice must be submitted by an individual with Advances authority with the Bank. To ensure accurate and timely processing of the prepayment, a prepayment notice should include the following information: (i) FHLB Member ID and/or Customer name; (ii) Advance ticket number; (iii) the date on which the Customer intends to prepay the Advance; and, (iv) prepayment amount.

Fixed Rate, Nonamortizing Advances

The prepayment fee is calculated as the PV of the difference between –

1. each interest payment that would have been payable on the Advance (if it had not been prepaid) at the interest rate currently being paid on the Advance for the period commencing on the date of the prepayment of the Advance and ending on the maturity date of the Advance

   and

2. each interest payment the Bank would receive by investing the amount of the Advance being prepaid in U.S. Agency securities at the then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining term to maturity as the Advance for the period commencing on the date of the prepayment of the Advance and ending on the maturity date of the Advance.

The then-current market yield derived from the FHLBank System Consolidated Obligations Curve with the same remaining term to maturity as the Advance being prepaid will serve as the discount rate for calculating the PV of the difference in interest payments.

Example: Fixed Rate, Nonamortizing Advance

A $2,000,000 fixed rate, nonamortizing Advance with an interest rate of 7.00 percent and an original term of eight years is prepaid after three years. The market yield derived from the FHLBank System Consolidated Obligations Curve having a maturity equal to the remaining term of the Advance (five years) is 6.00 percent.

Original Advance Terms:	
Advance principal:	$2,000,000
Advance interest rate:	7.00%
Advance term:	8 years
Prepayment Fee Parameters:	
Remaining term on prepayment date:	5 years (60 months)
Market yield (FHLBank CO curve):	6.00%
Prepayment Fee Calculation:	
Difference between Advance interest rate and market yield (7.00% - 6.00%):	1.00%
Monthly difference in interest payments to Bank ($2,000,000 * 1.00% / 12):	$1,666.67
Discount rate (FHLBank CO curve):	6.00%
Monthly discount rate (6.00% / 12):	0.500%
Prepayment Fee (PV of 60 decreased interest payments of $1,666.67, discounted at a monthly discount rate of 0.500%):	**$86,209**
Principal Repayment:	**$2,000,000**
Incremental Hedging Cost:	**$2,000**
Total Amount Paid to Bank (excluding accrued interest) (principal repayment + prepayment fee + incremental hedging cost):	**$2,088,209**

Fixed Rate, Amortizing Advances

The prepayment fee is calculated as the difference (if positive) between –

1. the remaining principal balance of the Advance on the prepayment date and
2. the PV of the remaining cash flows of the Advance (the monthly principal and interest payment) on the prepayment date, using a discount rate of the then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with a duration equal to the duration of the remaining cash flows of the Advance.

Example: Fixed Rate, Amortizing Advance

A $500,000 fixed rate, amortizing Advance with an interest rate of 6.00 percent, a monthly payment of $4,219.28 and an original term of 15 years is prepaid after two years. The then-current market yield derived from the FHLBank System Consolidated Obligations Curve having a duration equal to the duration of the remaining cash flows (principal

plus interest) of the Advance (4.5 years) is 5.00 percent.

Original Advance Terms:	
Advance principal:	$500,000
Advance interest rate:	6.00%
Advance monthly payment:	$4,219.28
Advance term:	15 years
Prepayment Fee Parameters:	
Remaining term on prepayment date:	13 years (156 months)
Duration of remaining cash flows:	4.5 years
Prepayment Fee Calculation:	
Discount rate (FHLBank CO curve):	5.00%
Monthly discount rate (5.00% / 12):	0.416666%
PV of remaining cash flows of the Advance (PV of 156 payments of $4,219.28, discounted at a monthly discount rate of 0.416666%):	$483,275
Remaining principal balance of the Advance:	$456,275
Prepayment Fee (PV of remaining cash flows minus remaining principal balance):	**$27,000**
Principal Repayment:	**$456,275**
Incremental Hedging Cost:	**$3,000**
Total Amount Paid to Bank (excluding accrued interest) (principal repayment + prepayment fee + incremental hedging cost):	**$486,275**

Fixed Rate, Nonamortizing Symmetrical Prepay Advance

The prepayment fee or credit is calculated using the method for Fixed Rate, Nonamortizing Advances described above, except that the then-current advance rate at the time of prepayment of an advance with the same characteristics as the Advance being prepaid less twenty basis points will replace the then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining term to maturity as the Advance being prepaid as the discount rate; provided, however:

1. the prepayment fee to the bank shall never be less than the sum of (a) the Bank's loss on the swap associated with the Advance being prepaid net of transaction cost expressed as a positive number plus (b) the PV of twenty basis points per year to the remaining maturity discounted at the Fed Fund rate, and
2. the prepayment credit to the Member shall never be greater than the sum of (a) the Bank's gain on the swap associated with the Advance being prepaid net of transaction cost minus (b) the PV of twenty basis points per year to the remaining maturity discounted at the Fed Fund rate.

Upon request, the net prepayment credit can be limited to 10% of the advance principal balance of the Advance being prepaid.

Fixed Rate, Amortizing Symmetrical Prepay Advance

The prepayment fee or credit is calculated using the method for Fixed Rate, Amortizing Advances described above, except that the then-current advance rate at the time of prepayment of an advance with the same characteristics as the Advance being prepaid less twenty basis points will replace the then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining term to maturity as the Advance being prepaid as the discount rate; provided, however:

1. the prepayment fee to the bank shall never be less than the sum of (a) the Bank's loss on the swap associated with the Advance being prepaid net of transaction cost expressed as a positive number plus (b) the PV of twenty basis points per year to the remaining maturity discounted at the Fed Fund rate, and
2. the prepayment credit to the Member shall never be greater than the sum of (a) the Bank's gain on the swap associated with the Advance being prepaid net of transaction cost minus (b) the PV of twenty basis points per year to the remaining maturity discounted at the Fed Fund rate.

Upon request, the net prepayment credit can be limited to 10% of the advance principal balance of the Advance being prepaid.

SOFR Floating Rate Advances

To calculate the base prepayment fee on a SOFR floating rate Advance, the Bank first converts the floating rate Advance into a comparable fixed rate Advance. The Bank determines the interest rate for the comparable fixed rate Advance by adding (i) the spread above or below the index rate used to determine the interest rate of the floating rate Advance (for example, 0.20% if the interest rate on the floating rate Advance were twenty basis points above SOFR) (ii) the then-current market rate for an interest rate swap with the same remaining term to maturity as the floating rate Advance.

After determining the interest rate for a comparable fixed rate Advance, the base prepayment fee is calculated as the PV of the difference (if positive) between –

1. each interest payment that would have been payable on the floating rate Advance (if it had not been prepaid) at the fixed interest rate

   and

2. each interest payment the Bank would receive by investing the amount of the floating rate Advance being prepaid in U.S. Agency securities at the then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining term to maturity as the floating rate Advance for the period commencing on the date of the prepayment of the floating rate Advance and ending on the maturity date of the floating rate Advance.

The then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining term to maturity as the floating rate Advance being prepaid will serve as the discount rate for calculating the PV of the difference in interest payments.

If the base prepayment fee is calculated for a floating rate Advance on a date other than a scheduled interest rate reset date for the Advance, and the index rate has declined between the most recent reset date and the date on which the Advance is prepaid, the total prepayment fee will include (in addition to the base prepayment fee) an amount equal to the PV of the difference in interest due at the next interest rate reset date attributable to the change in the index rate. The then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining term to maturity as the floating rate Advance will serve as the discount rate for calculating the PV of the difference in interest payments. If the index rate has remained the same or increased between the most recent reset date and the date on which the Advance is prepaid, no index rate change fee will be charged.

Discount Note (DN) Floating Rate Advance with a Prepayment Option on Reset Dates

To calculate the prepayment fee on a DN floating rate Advance with a prepayment option that falls on advance rate reset dates but that is prepaid between interest rate reset dates, the prepayment fee consists of two components:

1. *Advance spread component:* A make whole provision representing the spread income lost for the remaining term until the next reset date of the advance. The cost of spread income lost is calculated as the product of 1) advance balance, 2) current spread over the DN index and 3) the remaining term to next advance reset date.
2. *DN index rate component:* A make whole provision representing the yield maintenance amount required to compensate for the early retirement of FHLB DN that is funding the advance. This is calculated as the rate difference between (i) the latest setting of the DN index rate for the advance and (ii) the current market FHLB DN rate for a term that is the same as the remaining term to next reset date. If this difference is negative, this component of the prepayment fee will be zero. The cost of the yield maintenance amount is calculated as the product of 1) advance balance, 2) DN rate difference calculated as explained above and 3) the remaining term to next advance reset date.

The then-current market yield derived from the FHLBank System Consolidated Obligations Curve with the same remaining term to maturity as the term to the next advance rate reset date will serve as the discount rate for calculating the present value (PV) of these two prepayment components.

If the Customer gives proper notice and prepays a DN floating rate Advance with a prepayment option on an interest rate reset date, no prepayment fee is due.

Example: DN Floating Rate Advance with Prepayment Option

A $2,000,000 prepayable DN floating rate Advance with an interest rate that resets quarterly to 13 week DNs plus 20 basis points and an original term of five years (60 months) is prepaid after 5 weeks, with 8 weeks remaining until the next reset date. The 13-week DN rate at the last reset date was 2.50 percent and the current 8 week DN rate is 2.25 percent.

Original Advance Terms:

Advance principal:	$2,000,000
Advance interest rate:	13 week DN Rate + 20 bps
Advance spread above DN rate:	0.20%
Advance term:	5 years

Index Rate Change Fee Parameters:

Current 8 week DN rate:	2.25%
13 week DN rate at last reset date:	2.50%
DN rate difference:	-0.25%
Remaining term to next reset date:	8 weeks

Index Rate Change Fee Calculation:

Advance spread component ($2mm x 0.20% x 56/360yr)	$622.22
DN index rate component ($2mm x 0.25% x 56/360yr):	$777.78
Discount rate (FHLBank CO curve):	2.25%
Discount factor (1 / 1.0225^(56/360)):	0.347%

Total Prepayment Fee (PV of 2 prepay components Discounted at rate of 2.25%):	**$1,395.16**
Principal Repayment:	**$2,000,000**
Total Amount Paid to Bank (excluding accrued interest) (principal repayment + total prepayment fee):	**$2,001,395.16**

Maximum Advantage with Convenience (MAC) Floating Rate Advance with a Prepayment Option on Reset Dates

To calculate the prepayment fee on a MAC floating rate Advance with a prepayment option that falls on advance rate reset dates but that is prepaid between interest rate reset dates, the prepayment fee consists of two components:

1. *Advance spread component:* A make whole provision representing the spread income lost for the remaining term until the next reset date of the advance. The cost of spread income lost is calculated as the product of 1) advance balance, 2) current spread over the DN index and 3) the remaining term to next advance reset date.
2. *DN index rate component:* A make whole provision representing the yield maintenance amount required to compensate for the early retirement of FHLB DN that is funding the advance. This is calculated as the rate difference between (i) the latest setting of the DN index rate for the advance and (ii) the current market FHLB DN rate for a term that is the same as the remaining term to next reset date. If this difference is negative, this component of the prepayment fee will be zero. The cost of the yield maintenance amount is calculated as the product of 1) advance balance, 2) DN rate difference calculated as explained above and 3) the remaining term to next advance reset date.

The then-current market yield derived from the FHLBank System Consolidated Obligations Curve with the same remaining term to maturity as the term to the next advance rate reset date will serve as the discount rate for calculating the present value (PV) of these two prepayment components.

If the Customer gives proper notice and prepays a MAC floating rate Advance with a prepayment option that falls on advance rate reset dates on a rate reset date, no prepayment fee is due.

MAC Floating Rate Advance with a Prepayment Option on a future step-up Date

To calculate the prepayment fee on a MAC floating rate Advance with a prepayment option that falls on the advance spread step-up date but that is prepaid prior to the step-up date, the prepayment fee consists of two components:

1. *Advance spread component:* A make whole provision representing the spread income lost for the remaining term until the step-up date of the advance. The cost of spread income lost is calculated as the product of 1) advance balance, 2) current spread over the DN index and 3) the remaining term to the advance step-up date.
2. *DN index rate component:* A make whole provision representing the yield maintenance amount required to compensate for the early retirement of FHLB DN that is funding the advance. This is calculated as the rate difference between (i) the latest setting of the DN index rate for the advance and (ii) the current market FHLB DN rate for a term that is the same as the remaining term to next reset date. If this difference is negative, this component of the prepayment fee will be zero. The cost of the yield maintenance amount is calculated as the product of 1) advance balance, 2) DN rate difference calculated as explained above and 3) the remaining term to next advance reset date.

The then-current market yield derived from the FHLBank System Consolidated Obligations Curve with the same remaining term to maturity as the term to the advance spread step-up date will serve as the discount rate for

calculating the present value (PV) of the Advance spread component. The current market yield derived from the FHLBank System Consolidated Obligations Curve with the same remaining term to maturity as the term to the next advance rate reset date will serve as the discount rate for calculating the PV of the DN index rate component.

If the Customer gives proper notice and prepays a MAC floating rate Advance with a prepayment option on the advance spread step-up date, no prepayment fee is due.

MAC Floating Rate Advance without a Prepayment Option

To calculate the prepayment fee on a MAC floating rate Advance without a prepayment option that is prepaid prior to maturity, the prepayment fee consists of two components:

1. *Advance spread component:* A make whole provision representing the spread income lost for the remaining term until the advance maturity. The cost of spread income lost is calculated as the product of 1) advance balance, 2) current spread over the DN index and 3) the remaining term to the advance maturity.
2. *DN index rate component:* A make whole provision representing the yield maintenance amount required to compensate for the early retirement of FHLB DN that is funding the advance. This is calculated as the rate difference between (i) the latest setting of the DN index rate for the advance and (ii) the current market FHLB DN rate for a term that is the same as the remaining term to next reset date. If this difference is negative, this component of the prepayment fee will be zero. The cost of the yield maintenance amount is calculated as the product of 1) advance balance, 2) DN rate difference calculated as explained above and 3) the remaining term to next advance reset date.

The then current market yield derived from the FHLBank System Consolidated Obligations Curve with the same remaining term to maturity as the term to the advance maturity date will serve as the discount rate for calculating the present value (PV) of the Advance spread component. The then current market yield derived from the FHLBank System Consolidated Obligations Curve with the same remaining term to maturity as the term to the next advance rate reset date will serve as the discount rate for calculating the PV of the DN index rate component.

Prepayable Fixed Rate, Amortizing and Nonamortizing Advances

A fixed rate, amortizing or nonamortizing Advance that is designated as prepayable (*i.e.*, callable at the option of the Customer) at the time the Bank funds the Advance may be prepaid without a fee after a specified period of time (the option period). The Bank charges a market-determined fee for the right to prepay a fixed rate, amortizing or nonamortizing Advance, which fee is incorporated into the interest rate of the Advance.

If the Customer prepays the Advance prior to the end of the option period, the Bank charges a prepayment fee.

For a fixed rate, amortizing Advance that is designated as prepayable, the prepayment fee is calculated the same as the prepayment fee for a fixed, rate amortizing Advance that is not designated as prepayable (as discussed above), except that the Bank uses the **expected** remaining term of the Advance (the expected remaining term equals the duration of the Advance adjusted for the prepayment option) to determine the appropriate discount rate.

For a fixed rate, nonamortizing Advance that is designated as prepayable, to calculate the base prepayment fee, the Bank first converts the Advance into a comparable fixed rate, nonamortizing Advance using the **expected** remaining term of the Advance being prepaid (the expected remaining term equals the duration of the Advance adjusted for the prepayment option). The Bank determines the interest rate for the comparable fixed rate, nonamortizing Advance by adding (i) the spread above or below the index rate used to determine the interest rate of the Advance being prepaid (for example, 20 basis points if the interest rate on the Advance being prepaid is SOFR plus 20 basis points) and (ii) the then-current market yield for an interest rate swap with a maturity equal to the **expected** remaining term of the Advance being prepaid.

After determining the interest rate for the comparable fixed rate, nonamortizing Advance, the base prepayment fee is

calculated as the PV of the difference (if positive) between –

1. each interest payment that would have been payable on the Advance being prepaid (if it had not been prepaid) at the comparable fixed interest rate

   and

2. each interest payment the Bank would receive by investing the amount of the Advance being prepaid in U.S. Agency securities at the then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with a maturity equal to the expected remaining term of the Advance being prepaid (*i.e.*, the duration of the Advance adjusted for the prepayment option).

The current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with a maturity equal to the expected remaining term of the Advance being prepaid (*i.e.*, the duration of the Advance adjusted for the prepayment option) will serve as the discount rate for calculating the PV of the difference in interest payments.

After calculating the base prepayment fee, the Bank then subtracts/adds from the base prepayment fee any amount received/paid by the Bank in connection with the termination of any hedge transaction associated with the Advance being prepaid. The resulting amount is the prepayment fee the Customer will owe to the Bank.

Example: Prepayable fixed rate, nonamortizing Advance (i.e., callable at the option of the Customer)

A $6,000,000 fixed-rate, nonamortizing Advance designated as prepayable (*i.e.,* callable at the option of the Customer) with an original term of 3 years, an option period of 2 years and an interest rate of SOFR plus 20 basis points is prepaid after 15 months. The market yield for an interest rate swap having a maturity equal to the **expected** remaining term of the Advance (12 months) is 5.445 percent. The market yield derived from the FHLBank System Consolidated Obligations Curve having a maturity equal to the **expected** remaining term of the Advance (12 months) is 5.256 percent.

Original Advance Terms:

Advance principal:	$6,000,000
Advance interest rate:	SOFR + 20 bps
Advance spread above index rate:	+0.20%
Advance term:	3 years

Base Prepayment Fee Parameters:

Expected remaining term:	12 months
Market yield (interest rate swap):	5.445%
Comparable fixed rate, nonamortizing Advance interest rate (0.20% + 5.445%):	5.645%
Market yield (FHLBank CO curve):	5.256%

Base Prepayment Fee Calculation:

Difference between the comparable fixed rate, nonamortizing Advance interest rate and market yield (FHLBank CO curve) (5.645% - 5.256%):	0.389%
Monthly difference in interest payments to Bank ($6,000,000 x 0.389% / 12):	$1,945
Discount rate (FHLBank CO curve):	5.256%

Monthly discount rate (5.256% / 12):	0.438%
Base Prepayment Fee (PV of 12 decreased interest payments of $1,945, discounted at a monthly discount rate of 0.438%):	**$22,689**
Termination Value of Hedge (paid to Bank) (termination of interest rate swap associated with the Advance):	**$5,220**
Total Prepayment Fee (base prepayment fee – termination value of hedge):	**$17,469**
Principal Repayment:	**$6,000,000**
Total Amount Paid to Bank (excluding accrued interest) (principal repayment + total prepayment fee):	**$6,017,469**

If the Advance is prepaid on any date after the two-year option period, no prepayment fee is due.

Advances with Optionality

Advances with Optionality (also known as expanders, callable or puttable Advances) may be prepaid for a prepayment fee at any time with at least 24 hours' notification to the Bank. Prepayment fees will be calculated based on the balance outstanding on the prepayment date.

To calculate the base prepayment fee, the Bank first converts the Advance with Optionality into a comparable fixed rate, nonamortizing Advance using the expected remaining term of the Advance with Optionality (*i.e.*, the duration of the Advance with Optionality adjusted for the Bank's option to terminate or option to convert the Advance with Optionality, as applicable) as the deemed maturity date of the Advance with Optionality. The Bank determines the interest rate for the comparable fixed rate, nonamortizing Advance by adding (i) the spread above or below the index rate used to determine the interest rate of the Advance with Optionality (for example, 20 basis points if the interest rate on the Advance with Optionality is SOFR plus 20 basis points) and (ii) the then-current market yield for an interest rate swap with a maturity equal to the expected remaining term of the Advance with Optionality (*i.e*., the duration of the Advance with Optionality adjusted for the Bank's option to terminate or option to convert, as applicable, the Advance with Optionality).

After determining the interest rate for the comparable fixed rate, nonamortizing Advance, the base prepayment fee is calculated as the PV of the difference (if positive) between –

1. each interest payment that would have been payable on the Advance with Optionality (if it had not been prepaid) at the comparable fixed interest rate

   and

2. each interest payment the Bank would receive by investing the amount of the Advance with Optionality being prepaid in U.S. Agency securities at the then-current market yield derived from the FHLBank System Consolidated Obligations Curve with a maturity equal to the expected remaining term of the Advance with Optionality (*i.e.,* the duration of the Advance with Optionality adjusted for the Bank's option to terminate or option to convert the Advance with Optionality).

The current market yield derived from the FHLBank System Consolidated Obligations Curve with a maturity equal to the expected remaining term of the Advance with Optionality (i.e., the duration of the Advance with Optionality adjusted for the Bank's option to terminate or option to convert the Advance with Optionality) will serve as the discount rate for calculating the PV of the difference in interest payments.

After calculating the base prepayment fee, the Bank then adds to the base prepayment fee any amount paid by the Bank in connection with the termination of any hedge transaction associated with the Advance with Optionality. The resulting amount is the prepayment fee the Customer will owe to the Bank.

If the Bank exercises its option to terminate the Advance with Optionality, the Bank will not charge a prepayment fee in connection with the Customer's payment of the Advance with Optionality.

Example: Advance with Optionality

A $6,000,000 Advance with Optionality with an original term of 10 years, an option period of 5 years and an interest rate of SOFR plus 25 basis points is prepaid after 9 years. The market yield for an interest rate swap having a maturity equal to the **expected** remaining term of the Advance with Optionality (9 months) is 5.307 percent. The market yield derived from the FHLBank System Consolidated Obligations Curve having a maturity equal to the **expected** remaining term of the Advance with Optionality (9 months) is 5.314 percent.

Original Advance Terms:

Advance principal:	$6,000,000
Advance interest rate:	SOFR + 25 bps
Advance spread above index rate:	0.25%
Advance term:	10 years

Base Prepayment Fee Parameters:

Expected remaining term:	9 months
Market yield (interest rate swap):	5.107%
Comparable fixed rate, nonamortizing Advance interest rate (0.25% + 5.107%):	5.357%
Market yield (FHLBank CO curve):	5.314%

Base Prepayment Fee Calculation:

Difference between the comparable fixed rate, nonamortizing Advance interest rate and FHLBank CO curve (5.357% - 5.314%):	0.043%
Monthly difference in interest payments to Bank ($6,000,000 x 0.043% / 12):	$215
Discount rate (FHLBank CO curve):	5.314%
Monthly discount rate (5.314% / 12):	0.443%
Base Prepayment Fee (PV of 9 decreased interest payments of $215, discounted at a monthly discount rate of 0.443%):	**$1,893**
Termination Value of Hedge (paid by Bank) (termination of interest rate swap associated with the Advance):	**$10,200**
Total Prepayment Fee (base prepayment fee + termination value of hedge):	**$12,093**
Principal Repayment:	**$6,000,000**
Total Amount Paid to Bank (excluding accrued interest) (principal repayment + total prepayment fee):	**$6,012,093**

Notwithstanding the foregoing, for Advances with Optionality putable by the Bank with original maturities of one month or less, the prepayment fee will be the product of multiplying:

1) the amount being prepaid on such Advance, times
2) the greater of (a) 0.1% and (b) the interest rate on the Advance minus the Bank's cost of funds (for remaining term of the Advance) on the prepayment date, times
3) the number of days until the maturity of such Advance divided by 360 days.

Non-Standard Advances

For an Advance for which a prepayment fee methodology is not otherwise defined by this Policy (a "non-standard Advance"), to calculate the base prepayment fee, the Bank first converts the non-standard Advance into a comparable fixed rate, nonamortizing Advance. The Bank determines the interest rate for the comparable fixed rate, nonamortizing Advance by adding (i) the spread above or below the index rate used to determine the interest rate of the Advance being prepaid (for example, 20 basis points if the interest rate on the Advance being prepaid is SOFR plus 20 basis points) and (ii) the then-current market yield for an interest rate swap with the same remaining maturity or duration (as applicable) as the non-standard Advance.

After determining the interest rate for the comparable fixed rate, nonamortizing Advance, the base prepayment fee is calculated as the PV of the difference (if positive) between –

1. each interest payment that would have been payable on the Advance (if it had not been prepaid) at the comparable fixed interest rate

   and

2. each interest payment the Bank would receive by investing the amount of the Advance being prepaid in U.S. Agency securities at the then-current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining maturity or duration (as applicable) as the non-standard Advance.

The current market yield derived from the FHLBank System Consolidated Obligations Curve (or the CIP/EDP advance curve minus 5 basis points for CIP/EDP advances) with the same remaining maturity or duration (as applicable) as the non-standard Advance will serve as the discount rate for calculating the PV of the difference in interest payments.

The Bank then adds to or subtracts from, as applicable, the base prepayment fee any amount received or amount paid, as applicable, by the Bank in connection with the termination of any hedge transaction associated with the non-standard Advance.

EXHIBIT C

Anti-Predatory Lending Policy

The Bank carries out its housing finance mission by serving as a source of liquidity for housing and community development needs. Predatory loan terms and lending practices are inconsistent with the Bank's housing finance mission and may expose the Bank to the risk of assignee liability. This Anti-Predatory Lending Policy (the "APL Policy") is intended to protect the Bank and its shareholders from assignee liability. Additionally, this policy is designed to inform the Bank's Members and other pledgors of the types of residential mortgage loans that the Bank has determined would be inconsistent with its housing finance mission to accept as collateral securing obligations to the Bank.

Residential Mortgage Loans Pledged to the Bank. Residential mortgage loans will not be eligible to secure advances from or other obligations to the Bank if they do not comply with the Anti-Predatory Lending Laws (as that term is defined in Exhibit A to the Bank's Member Products & Credit Policy), or if the residential mortgage loans:

- have, at the time of origination, annual percentage rates or points and fees exceeding the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations (Federal Reserve Board Regulation Z), which were in effect at the time of loan origination, or
- require prepayment penalties for early payoff beyond the first three years of the loan, or
- require the borrower to obtain prepaid, single-premium credit life or similar insurance, or
- finance any single-premium credit life or similar insurance, or
- contain mandatory arbitration clauses with respect to dispute resolution.

Customers pledging residential mortgage loans to the Bank as collateral are responsible for avoiding all lending practices and loan terms that are not in compliance with this APL Policy, regardless of whether they originate or purchase the residential mortgage loans being pledged to the Bank. The Bank reserves the right to require evidence reasonably satisfactory to the Bank that residential mortgage loans pledged to the Bank do not violate the Anti-Predatory Lending Laws or this APL Policy. With respect to purchased residential mortgage loans, the Customer is responsible for conducting due diligence reasonably sufficient to support its certification and indemnification agreements with the Bank with regard to this APL Policy.

If the Bank knows or discovers that residential mortgage loans pledged to the Bank violate the Anti-Predatory Lending Laws or this APL Policy, the Bank may: remove the collateral value on residential mortgage loans that violate the APL Policy or, where appropriate, deny the Customer the ability to secure obligations to the Bank with residential mortgage loans; require the Customer to substitute eligible or, as needed, ineligible collateral to secure its obligations; and require the Customer to undertake a review of its policies, practices, and procedures for complying with the Bank's collateral policies.

The Bank will monitor Customers' compliance with this APL Policy by testing samples of Customers' loans pledged to the Bank. Regulatory examination reports will be reviewed for Customers if one or more such tested loans are found not in compliance with this Policy.

For Customers borrowing under a blanket lien, the Bank will monitor compliance with this APL Policy as part of all on-site collateral verifications conducted in accordance with the Bank's verification policy described in Section III.C.2.i of the Bank's Member Products & Credit Policy.

Samples of loans for each Customer with residential mortgage loans held in custody by the Bank may be tested annually for compliance with this APL Policy. To facilitate that testing, documentation necessary for the Bank to test compliance with this APL Policy may be required for all single-family mortgages delivered into the Bank's custody.

Customers' Affiliates which are pledging collateral to the Bank must execute a written agreement with the Bank that: (1) certifies the Affiliate's understanding and compliance with this APL Policy and the Anti-Predatory Lending Laws; (2) certifies the Affiliate will substitute eligible collateral for any residential mortgage loans that do not comply in all material respects with the Anti-Predatory Lending Laws or this APL Policy; and (3) indemnifies, defends and holds the Bank harmless from and against all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the pledge of any residential mortgage loan that does not comply in all material respects with the Anti-Predatory Lending Laws or this APL Policy.

Residential Mortgage Securities Pledged to the Bank. Securities backed by residential mortgage loans that are issued or guaranteed by the U.S. government or an agency or instrumentality thereof, or that are rated in the highest category by at least one NRSRO at the time such securities were originally issued shall be deemed to comply with the requirements of this APL Policy.

EXHIBIT D

Subprime and Nontraditional Mortgage Collateral Policy

Definitions

For purposes of this policy, the Bank defines subprime single-family residential mortgage loans as (i) loans made to borrowers with a FICO score of less than 660 or (ii) in the absence of a FICO score, loans having a loan-to-value ratio of greater than 90% (after taking into account supplemental mortgage insurance). Nontraditional residential mortgage loans, for purposes of this policy, include loans that allow borrowers to defer payment of principal or interest.

Eligible Collateral

Residential Mortgage Loans.
The Bank will accept as collateral eligible to secure obligations of a Customer to the Bank:
(i) subprime residential mortgage loans originated or acquired by the Customer after July 10, 2007 only if the mortgages comply with the *Interagency Statement on Subprime Mortgage Lending*, 72 Fed. Reg. 37569 (July 10, 2007), and (ii) nontraditional residential mortgage loans originated by the Customer after October 4, 2006 only if the mortgages comply with the *Interagency Guidance on Nontraditional Mortgage Product Risks*, 71 Fed. Reg. 58609 (October 4, 2006, (collectively the "Interagency Guidance")).

Privately-issued Residential Mortgage-Backed Securities.
The Bank will accept Privately-issued Residential Mortgage-Backed Securities ("PMBS") as collateral to secure a Customer's obligations to the Bank only if (i) the Customer can provide a copy of enforceable representations and warranties from the issuer of the PMBS that the loans underlying the security were underwritten in conformance with all aspects of the Interagency Guidance, or (ii) the Bank has in its records, or receives from the Customer, evidence that the Customer acquired the security on or before July 10, 2007. Alternatively, to meet the requirement in (i) above, the Customer may be able to assert and demonstrate (based on the security's prospectus or other related documentation) to the Bank with the concurrence of the Finance Agency that the underlying loans were underwritten in conformance with the Interagency Guidance. The Bank will review each representation and warranty or assertion on a case-by-case basis to determine whether the security meets the requirement of (i) above. When the Bank has determined a given security meets the requirement of (i) above, such security will be deemed to meet the requirement of (i) above for all Customers without further documentation requirements. In a case where a Customer of the Bank acquires (by merger, acquisition, purchase and assumption, or otherwise) from another Customer of the Bank or a customer of another FHLBank (or the receiver for such entity) Privately-issued Residential Mortgage-Backed Securities that represented eligible collateral at the Bank or other FHLBank because such securities complied with the requirements set forth in (i) or (ii) above, such securities will continue to constitute eligible collateral at the Bank subject to the Bank's consultation with and non-objection by the Finance Agency.

Customer Confirmation

Customers are required to execute a Confirmation annually that, except as otherwise stated in the Confirmation, all subprime and nontraditional residential mortgage loans that were (i) originated after July 10, 2007 or (ii) acquired by the Customer after July 10, 2007 comply with all aspects of the Interagency Guidance. The Bank will not accept residential mortgage loans as collateral from any Customer that has not executed the required Confirmation. Confirmation statements will be delivered by the Bank's collateral verification staff to all Customers scheduled for an on-site collateral verification or a trial balance review in a given year. The collateral verification procedures will include steps designed to validate the Customer's Confirmation statement. All Customers not scheduled for an on-site collateral verification or a trial balance review in a given year will receive a Confirmation statement from the Bank via mail. In a case where a Customer of the Bank acquires (by merger, acquisition, purchase and assumption, or otherwise) from another Customer of the Bank or a customer of another FHLBank (or the receiver for such entity) residential mortgage loans that represented eligible collateral at the Bank or other FHLBank because such loans complied with the requirements set forth in (i) or (ii) above, such loans will continue to constitute eligible collateral at the Bank subject to the Bank's consultation with and non-objection by the Finance Agency.

Identification of Subprime and Nontraditional Residential Mortgage Loans

Identification Through Collateral Verification. For a Customer on blanket collateral status, the Bank will identify all subprime and nontraditional residential mortgage loans included in the sample as part of the on-site collateral verifications the Bank conducts in accordance with the Bank's Member Products & Credit Policy.

Identification Through Delivered Collateral. For a Customer on delivery collateral status, the Bank will identify all subprime and nontraditional residential mortgage loans included in the sample as part of the Bank's review of the residential mortgage loans delivered to the Bank in accordance with the Bank's Member Products & Credit Policy.

Self Identification. A Customer may choose to disclose to the Bank the extent of the Customer's subprime and/or nontraditional residential mortgage loans that comply with this policy.

Monitoring and Limitations

On a quarterly basis, the Bank will monitor the default rate on each Customer's residential mortgage loan portfolio and evaluate the adequacy of the haircut applied to loans in the portfolio. The Bank may take one or more of the following actions based on the results of these evaluations and other relevant information.

- Deny the Customer the ability to secure obligations to the Bank with (i) otherwise eligible subprime or nontraditional loans and/or (ii) any residential mortgage loans.
- Increase the haircut applied to loans in the portfolio to a level determined adequate by the Bank in its sole discretion.
- Require the Customer to list with the Bank or deliver to the Bank its residential mortgage loan collateral.
- Conduct onsite collateral verifications more frequently than annually.
- Such other actions as the Bank may determine appropriate to the particular facts and circumstances.

The Bank, in its sole discretion, will determine the applicable collateral valuation bases for residential mortgage loans, which may vary from Customer to Customer based on the Bank's assessment of the relevant facts and circumstances.

The total extensions of Credit to each Customer collateralized by eligible subprime and nontraditional mortgage loan Collateral and eligible Privately-issued Residential Mortgage-Backed Securities collateralized by subprime or nontraditional mortgages may not exceed 300 percent of the Customer's Tier 1 capital.