“EVERY DAY, YOU REINVENT YOURSELF. YOU’RE ALWAYS IN MOTION. BUT YOU DECIDE EVERY DAY: FORWARD OR BACKWARD.”

— JAMES ALTUCHER
As a wholesale cooperative, we are owned by you, our members, and are fueled by an intrinsic motivation to deliver products and services that fit our members’ business needs. Each institution we serve has unique needs and goals. Every day, we strive to meet those needs through careful listening and customized solutions that deliver tangible results.

In the last year, our members have switched gears to meet the changing needs of their businesses and customers. Between mergers, acquisitions and expanding locations, the changing landscape of local economies, technological advancements and workforce dynamics have compelled all of us to listen more intently and act accordingly.

Over the next few years, we will also be undergoing a shift as we update several of our systems to continue to provide members with customized solutions. Our goal is to not just adapt to the changing times, but to leap forward, anticipate future needs and stay ahead of the curve.

It makes sense that the theme of the 2018 annual report is Shifting Gears. Within the pages of this report, you will read about several members who are using Federal Home Loan Bank of Dallas products and services to transform the way they do business.

Gary Hudson, CEO of The Farmers & Merchants Bank in Stuttgart, Arkansas, said it best: “If you’re staying the same, you’re probably backing up.” Many members are using the Bank’s advances and other credit products to facilitate moving into new markets, expanding their lines of business and providing new or expanded offerings to their customers.

A look at 2018

The Bank continued to make gains across the board in 2018, as we saw growth in advances, letters of credit, mortgage loans held for portfolio, earnings, retained earnings and dividend payments. In percentage terms, our on-balance sheet loan program grew more than any other product offering. Since resuming the purchase of mortgage loans from our members in 2016, the portfolio has grown from $55 million at year-end 2015 to $2.2 billion at the end of 2018. Our advances growth was fueled, in part, by good economic conditions, more robust activity in the housing markets served by our members and increased usage of advances to fund your investment activities and liquidity requirements.

In late 2018, the Bank announced our newest small business development program — Small Business Boost (SBB). The Economic Development Program Plus (EDPPlus) was phased out as we introduced this new recoverable assistance program designed to inject more recyclable funds into communities you serve to assist small businesses that otherwise might not meet lending requirements.

Also, in late 2018, we transitioned to a new safekeeping platform — the first of a series of system updates the Bank will embark upon over the next two to three years. While many of these updates are part of an internal decustomization effort at the Bank, we want to use this opportunity to provide interface enhancements and respond to requests for functionality or services that we’ve received from members over the years.

Moving forward

As we move forward in 2019, we want to remain agile enough to respond to the shifting needs and priorities of our members, while maintaining our commitment to be the stable source of liquidity upon which members have come to rely.

Thank you for your continued partnership. We look forward to forging ahead together in 2019 and beyond.

Sincerely,

Sanjay K. Bhasin
President and Chief Executive Officer
The Home Loan Bank has been a very valuable business partner for Planters Bank, and I see that continuing into the future.

JIMMY CLAYTON
CHAIRMAN AND CEO OF PLANTERS BANK AND TRUST COMPANY
In the past several years, Indianola-based Planters Bank, known for its agricultural lending in the central Mississippi Delta, has grown in size and prominence with its 2016 acquisition of Covenant Bank of Clarksdale. Today, the bank holds more than $1 billion in assets.

The former Covenant Bank had a branch location in fast-growing DeSoto County and the acquisition jumpstarted commercial real estate lending for the bank. To be sure, FHLB Dallas seasonal advances for agricultural lending — which provide much-needed loans to farmers in rural Mississippi — remain a mainstay at Planters, said Jimmy Clayton, chairman and CEO.

“We can invest a lot of short-term funds that we don’t have to keep on hand to fund seasonal agricultural loans,” Mr. Clayton said. “It’s a very valuable source of funds for ag [agricultural] lending.”

**Offsetting interest-rate risks**

Now, the bank has found FHLB Dallas advances to be advantageous in offsetting interest-rate risk in its newer, flourishing real estate lending program.

“We run into a lot of situations where we may not want to go longer than five years [on a loan] but the borrower needs a seven-year fixed rate or a 10-year fixed rate, so advances have helped us offset some of that interest-rate risk,” Mr. Clayton said. “The end result is being able to serve the needs of the customer and, at the same time, be a more profitable bank.”

Additionally, FHLB Dallas advances have helped the bank with its commercial real estate (CRE) portfolio.

FHLB Dallas advances have enabled the bank to make some commercial real estate loans in DeSoto County that it wouldn’t have made otherwise because the advances offset interest-rate risk, Mr. Clayton said.

With the bank’s growth in CRE lending, the FHLB Dallas partnership has risen to a new level of importance as Planters sees a continuing need for advances as the DeSoto County economy expands.
The bank, over the years, has tapped a wide variety of FHLB Dallas advances, including amortizing advances and short-term seasonal advances. The bank has also utilized advance auctions to further shave off basis points on short-term funding. Ease of use is among the advantages that keep Planters coming back to the products, Mr. Clayton said.

If Planters didn’t have the FHLB Dallas advances, it would have other options available such as brokered deposits or Fed funds but FHLB Dallas, in general, provides member banks such as Planters with more competitive interest rates, he said.

“If we didn’t have access to those particular types of advances, it would hinder us in our operation, and it would therefore hurt the profitability of the bank,” he said.

**The benefits of LOCs**

Planters most recently added letters of credit (LOCs) to its product arsenal. The bank has a lot of public funds, and the LOCs give the bank more flexibility to keep more unpledged securities or move out of securities quickly, said Mr. Clayton.

“It’s just been a great benefit and easy to use,” he said.

Standby letters of credit, confirmations of letters of credit and custodial letters of credit are issued on behalf of members by FHLB Dallas to facilitate business transactions with third parties. These products can assist in providing residential housing finance, community lending, asset and liability management, secure liquidity and other funding. They are also an alternative to purchasing securities to secure public unit deposits.

“If there’s anybody out there who doesn’t use a lot of the services of the FHLB, I would encourage them to do so,” Mr. Clayton said. "The Home Loan Bank has been a very valuable business partner for Planters Bank, and I see that continuing into the future.”

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**AT A GLANCE**

**HISTORY**

Planters Bank and Trust Company opened its doors for business in 1920 in Ruleville, Mississippi, with total assets of $268,000 that year. It is now based in Indianola.

**LOCATIONS**

19, mainly in northwest Mississippi and the central Mississippi Delta

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**TOTAL ASSETS UNDER MANAGEMENT**

$1.05 billion

**TOTAL DEPOSITS**

$917 million

**SAMPLING OF PRODUCTS**

Business banking, real estate lending, credit cards, personal checking and savings accounts

**FHLB PRODUCTS USED**

Advances, letters of credit, community investment programs

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Source: FDIC, as of December 31, 2018
Dorothy Russell
Baptist Town Resident
Community Investment Products Help Planters Meet the Shifting Needs of the Community

Tucked away on the Mississippi Blues Trail, Baptist Town is a historical African-American neighborhood in southeast Greenwood, Mississippi. Known for its strong sense of community, it is home to Academy Award-winning actor Morgan Freeman and notable blues artists such as Robert Johnson and David “Honeyboy” Edwards.

Part of Baptist Town’s charm hints at the nostalgia of its 1930s cotton plantation and oil mill days, but just as time seems to have stood still in the small community, time has also taken its toll on many of the neighborhood’s homes. Fifty percent of Greenwood’s 14,000 residents live below the federal poverty level. Many of the roughly 700 homes that make up the Baptist Town neighborhood — built originally for sharecroppers — are dilapidated and considered substandard housing.

Planters Bank and Trust Company is seeking to change that. Over the last 20 years, Planters has utilized community investment programs offered by the Federal Home Loan Bank of Dallas (FHLB Dallas) to transform neighborhoods like Baptist Town while preserving their history and roots.

In 2014, Planters partnered with Greenwood/Leflore Fuller Center for Housing (Fuller Center) to bring affordable housing to the area. The organization acquired preassembled cottages built in Mississippi and other Gulf Coast states for residents displaced by Hurricane Katrina in 2005, and sold the cottages to residents of communities like Baptist Town.

Planters and Fuller Center utilized FHLB Dallas’ Homebuyer Equity Leverage Partnership (HELP) program, which provides down payment and closing cost assistance to income-qualified, first-time homebuyers.

One of the Baptist Town residents who benefited from HELP is Dorothy Russell, 61, who purchased her first home through the program. She grew up in an aging home on McNeil Street. The house was eventually torn down, prompting Ms. Russell to move into a rental home for the next 28 years.

After hearing about the Baptist Town Cottages at church, Ms. Russell applied for and obtained a $4,000 HELP grant through Planters, which helped provide a down payment on her first home. She then discovered the cottage was located at the same address as her childhood home.

“I was away from this spot for nearly 30 years,” said Ms. Russell. “I always wanted to buy a house, but I didn’t expect it to be exactly where I grew up. I’m so proud of my house, and I sure appreciate everything that everyone did.”

Planters’ Greenwood Market President Eric Miller said that the Baptist Town Cottages project would not have been possible without the HELP grant.

“When you see someone like Dorothy — who has tried and done right all her life, but just couldn’t quite get over the hump — get into a home, that makes it all worthwhile,” said Mr. Miller. “Those are the people I really like to help.”

Transforming the community through AHP and SNAP

Planters Chairman and CEO Jimmy Clayton said that the Affordable Housing Program (AHP) has been an important program for the Delta region. Having utilized the program for more than 20 years, Planters has invested $1.78 million in AHP funds toward the transformation of its communities.
In 2016, Planters and FHLB Dallas awarded a $224,000 AHP grant to the Greater Greenville Housing and Revitalization Association to construct a 42-unit apartment community, The Reserves of Gray Park, in Greenville.

The grant provided gap funding for the construction of the $4.4 million mixed-use, mixed-income apartment community. Hailed as the Mississippi Delta’s first sustainable, healthy community, it is Greenville’s largest single-unit housing development in more than 30 years.

“It’s been a really great partnership that has enabled us to help nonprofits with grants from the Home Loan Bank to improve housing in our area,” said Mr. Clayton.

Additionally, between 2016 and 2018, Planters awarded more than $140,000 in Special Needs Assistance Program (SNAP) funding. The program has assisted 28 homeowners in the Delta by providing critical repairs to income-qualified, special-needs and elderly residents’ homes.

Parker England, president of the Greenville market at Planters, emphasized the importance of programs such as SNAP to lighten the load for the area’s aging population.

“We’ve been able to utilize the SNAP funding to a lot of success over the last few years,” said Mr. England. "The SNAP program allows us to go out and meet our community’s needs. We’ve got an aging market so these funds have been able to stabilize properties that allow residents, who otherwise cannot afford $5,000 or $6,000 in repairs to get those repairs done. It brings us — and them — great pleasure that they now have a livable home for the foreseeable future.”

Gearing up for the future

With Planters being awarded $474,246 in Economic Development Program Plus (EDPPlus) grant funds since 2005, EDPPlus has been a popular program with Planters. From helping to open the doors of a resale shop to purchasing equipment for a restaurant, Planters has assisted 27 businesses through EDPPlus.

The 2019 decommissioning of EDPPlus has made way for the Small Business Boost (SBB) program. SBB is a recoverable assistance and secondary loan program for small businesses that are challenged to meet FHLB Dallas member loan underwriting criteria.

“The SBB program will be great because it will assist businesses that may be a little short on collateral or cash flow,” said Mr. England.
SBB is intended to help members invest in businesses in their communities by filling the gap when there is a lack of equity, unique collateral or an appraisal shortfall.

Mr. England added that he foresees SBB being helpful in filling a niche and helping to open or expand small businesses. “We at Planters Bank have had previous success using the EDPPlus program, and we’re excited about the rollout of the Small Business Boost program,” he said.

Mr. Clayton said the EDPPlus program was integral in the success of many businesses, including a pizzeria that opened in 2007. Twelve years later, the business has grown to 18 franchise stores in four states, creating 350 jobs and reporting $15 million in revenue in 2018.

“Without that grant, it was marginal for them to open their business,” said Mr. Clayton. “The AHP and EDP have benefited this region economically for the last 15 to 20 years, and it’s been a great service.”

Mr. England, who is chairman of the Greater Greenville Housing Authority, says the bank is committed to serving the community.

“We see a lot of people who are in the low- to moderate-income bracket in terms of housing needs, and housing units that are 100-percent occupied. A lot of that comes from funding from the Federal Home Loan Bank,” he said. “These grants have been very good for us. It’s been a joy to see the partnership that we have with the Federal Home Loan Bank, and through the grants and advances, the many successes we’ve been able to help our community achieve. I hope to continue that well into the future.”
"There was a void," said Mr. D’Angelo, president, CEO and founder of Investar Bank. "When that occurred, I sat back and thought, 'What a great time to start a community bank and fill the niche that was vacated by these other banks.'"

It was 2005. Mr. D’Angelo consulted with his wife, quit his job at a national mortgage company and poured the couple’s savings into starting Baton Rouge-based Investar. Three weeks after he began the effort, Hurricane Katrina hit. But Mr. D’Angelo stayed the course and eventually raised $10 million in capital from 300 investors. On June 14, 2006, Investar Bank was born in a sales trailer with Holly Hidalgo-DeKeyzer, Kay Hughes, Rachel Cherco and Justin DeKeyzer — and about $14 million in assets.

That was then. Today, 13 years after its founding, Investar has nearly 300 employees and is about to gain a foothold in Texas with its $19.9 million acquisition of Mainland Bank of Texas City. Based in the Houston metro area, Mainland Bank has $133 million in assets.

With this latest acquisition, Investar will be approaching $2 billion in assets with 24 locations in Louisiana and Texas. Expansion into Texas, Mr. D’Angelo said, was a goal from the very beginning.

"Mainland Bank is a beachhead for us," Mr. D’Angelo said. "It’s our opportunity to go into Texas and bring our model of lending and deposit gathering into a different market. We think we are going to have a tremendous amount of opportunity to grow that operation."
A transformative partnership with FHLB Dallas

The Federal Home Loan Bank of Dallas (FHLB Dallas) has been a long-term partner in helping Investar Bank grow. The financial institution has benefited from FHLB Dallas advances in a variety of ways, including the convenience of short-term gap funding as Investar Bank grows its loan portfolio.

"Historically speaking, Investar Bank has run a little bit higher on our loan-to-deposit ratio," Mr. D’Angelo said. "We will run 100 percent to 104 percent and so we need financing to cover that difference. Federal Home Loan Bank advances have been a tremendous tool for us in that regard."

As an acquisitive bank, Investar Bank knows FHLB Dallas advances can help it grow whether that growth is organic or via mergers and acquisitions, he said.

Because of its growth, the bank has seen a lot of change over a relatively short period of time. FHLB Dallas has been at its side throughout.

"One of the things I’ve loved about working with the Federal Home Loan Bank as part of our transition is that we’ve had the ability to grow together," Mr. D’Angelo said. "At one time, we had $20 million in Home Loan Bank advances that grew to $50 million and then to $70 million. Today, it is a little bit over $200 million in advances. We’ve grown together; we’ve partnered together."

An expanding partnership

Besides advances, Investar Bank is also taking on a new community reinvestment act initiative in Baton Rouge and will be partnering with FHLB Dallas on first-time homebuyer grants, Mr. D’Angelo said.

Over the years, the bank has also had the opportunity to meet with FHLB Dallas representatives about ways to improve its funding methods and how to handle interest-rate sensitivity, among other things. It’s a relationship that continues to grow and mature, he said.

Living the dream

"I have to pinch myself sometimes when I think back over this journey and where we’ve come from to where we are today. I also think about the many partners we’ve had along the way in that journey, and certainly the Federal Home Loan Bank has been one of the biggest ones."

AT A GLANCE

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<td>Investar Bank opened its doors for business in 2006 in Baton Rouge, Louisiana, with just five employees. It has since grown into a nearly $2 billion bank and recently acquired a foothold in the Houston metro area.</td>
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<th>TOTAL ASSETS UNDER MANAGEMENT</th>
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<th>FHLB PRODUCTS USED</th>
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Source: FDIC, as of December 31, 2018
A 2016 report from Data USA shows that 16 percent of Hobbs’ labor force works in the oil and gas industry, with construction and extraction as the most common occupations.

Lea County State Bank Senior Vice President and Chief Credit Officer, Dickie Wall, said the need for affordable housing has grown as the need for labor in the oil fields has intensified.

“Affordable housing is probably one of the biggest challenges that we have in Lea County,” said Mr. Wall. “People are living in motels right now because there is no housing. They can’t afford housing when you’re looking at $1,500 or $2,000 a month for an apartment.”

To help alleviate the area’s housing challenges, Lea County State Bank has utilized the Federal Home Loan Bank of Dallas’ (FHLB Dallas) Homebuyer Equity Leverage Partnership (HELP) program since 2018. In partnership with local organizations such as Habitat for Humanity of Hobbs, the community bank — with $330 million in assets — has assisted six families by providing $27,000 in HELP grants for down payment assistance and offset of principal mortgage payments and closing costs.

**A shifting need for funding**

Richard Sanchez, executive director for Habitat for Humanity of Hobbs, said Lea County State Bank has been a great partner in bringing affordable housing to the region.

“Having funds available is very important because it’s so expensive to build a house, and it takes so many different
organizations to make it happen. So when we get extra help, like what the Federal Home Loan Bank offers, it goes a long way,” he said. “We love being able to help low-income families who just want to work hard and provide for their families and buy a home.”

Lea County State Bank has offered not only financial support, but its employees are also active in the community, pounding the pavement and interviewing families and working with them through the application process, said Mr. Sanchez.

Aboney Young, a single mother of two, moved into her home in February 2019 with the help of Habitat. Her road to homeownership has not been easy. With a medically fragile son, her finances have been tied up in medical bills. That makes saving for a down payment on a home difficult on a teacher’s salary.

Ms. Young learned about the assistance Habitat offers local residents through her child’s elementary school. She is proud to have helped build her new home alongside her 8-year-old son. She also appreciates the accommodations made for her oldest son.

“The things they have done for my son, like building the shower to adjust to his needs: It makes life so much easier. It’s giving him confidence to be more independent,” said Ms. Young.

Mr. Sanchez said that in addition to lowering homebuilding costs, HELP also provides a conduit for kindness.

“It’s really a wonderful, wonderful thing. I think it goes a long way not only for us and the assistance we get, but for the families. Whatever is left over from the closing costs reduces their principle mortgage,” he said. “I have a front-row seat to all the beauty that happens in our community.”

Mr. Wall, who serves on the Habitat board, said HELP enables the bank to assist hardworking families and individuals who generally wouldn’t qualify for a loan. As one of Lea County State Bank’s core tenets, involvement in the community is important to Mr. Wall.

“If something is going on in the community, someone from Lea County State Bank will be there,” he said.

He added that every member of Lea County State Bank’s executive team is encouraged to participate in community functions, from home dedications to check presentations. FHLB Dallas’ HELP program facilitates those opportunities as Lea County State Bank continues its use of the grant program. In fact, the bank already plans to assist eight more families in 2019.

“The grant program helps us stretch our money further, and we’re able to help more families,” he said. “It’s exciting to be a part of it.”

“Having funds available is very important because it’s so expensive to build a house, and it takes so many different organizations to make it happen. So when we get extra help, like what the Federal Home Loan Bank offers, it goes a long way.”

RICHARD SANCHEZ
EXECUTIVE DIRECTOR OF HABITAT FOR HUMANITY OF HOBBS

HISTORY
Lea County State Bank was chartered in 1928 in Lovington, New Mexico, during the great oil boom. After weathering the Great Depression, it persevered and has since grown into a $334 million asset bank.

LOCATIONS
Three locations in the greater Hobbs area

TOTAL ASSETS UNDER MANAGEMENT
$334.8 million

TOTAL DEPOSITS
$295.3 million

SAMPLING OF PRODUCTS
Commercial and consumer loans, real estate lending, credit cards, personal checking and savings accounts

FHLB PRODUCTS USED
Homebuyer Equity Leverage Partnership (HELP)
Instead, the bank has seen significant growth over the past five years due, in part, to a couple of bank mergers that have expanded its footprint and services into other parts of the state.

In December 2015, a merger with The Bank of Fayetteville, with total assets of about $320 million at the time, brought Farmers to the northern and northwestern part of the state and into new growth opportunities.

The union between Farmers and The Bank of Fayetteville, whose name was also retained after the merger, was the catalyst for a stronger financial structure under one umbrella with added technology and services for its customers.

More recently, Farmers, which has now grown to more than $1 billion in assets, announced plans in January to acquire Integrity First Bank and its holding company, Mountain Home Bancshares. The merger, tentatively scheduled to close during the second quarter of 2019, is expected to further increase Farmers’ array of services and provide enhanced technology offerings to its customers.

Integrity First Bank has 11 branches spread across the communities of Mountain Home, Pocahontas, Gassville, Lakeview, Flippin, Jonesboro, Fayetteville and Bentonville. It holds approximately $525 million in total assets, about $440 million in deposits and $360 million in loans, including a sizable number of home mortgages.

At the helm of Farmers’ expansion effort is Gary Hudson, president and CEO of the bank.
“If you’re in the banking industry today, if you’re staying the same, you’re probably backing up,” said Mr. Hudson. “We realized, that after a certain period of time, we were going to have to diversify our business model. So we looked to make acquisitions in other markets.”

The acquisitions have been successful in diversifying the bank’s offerings, he said.

“It’s been a great diversification for us to move from strictly ag [agricultural] lending. Ag is still a very important part of our portfolio, but now it is probably about 15 to 20 percent of our portfolio,” Mr. Hudson said. Farmers also does commercial and business lending and home mortgage lending.

A member of the Federal Home Loan Bank of Dallas (FHLB Dallas), Farmers considers its membership to be an integral part of its business model.

Lending with the help of FHLB Dallas advances

Farmers has used a variety of FHLB Dallas’ advance products to expand its depth and breadth of lending. That has included advances for one- to four-unit residential mortgage lending in small communities where it’s normally hard to make loans that can be sold into the secondary market. The loan advances have been set up on monthly repayments to match up with the payments that are being made monthly by its customers.

It’s also used FHLB Dallas advances to offset interest-rate risk associated with providing commercial customers with a specific fixed-rate business loan.

“It has worked out great for them; it has worked out great for us, and we’ve solidified a lot of relationships because of the availability of funds through FHLB Dallas advances,” Mr. Hudson said. Annually, Farmers borrows money seasonally to support its borrowers with agricultural loans.

“It does not make a lot of sense for us to have funds available from deposits, on a daily basis, to fund seasonal lending, so we are able to use the Home Loan Bank. Thank goodness they’ve been there for us so we can meet the demands of our borrowing customers in agriculture areas to where we can make funds available to them readily.”

 Farmers sets up its maturities for repayment on the seasonal advances based on when the farmers expect cash to come in from harvesting their crops, Mr. Hudson said. Without its FHLB Dallas membership, Farmers simply wouldn’t be able to make as many loans, he said. The liquidity FHLB Dallas provides to Farmers enables the community bank to lend to more homebuyers, farmers and business owners than it could without that partnership.

“The Home Loan Bank is a conduit that helps us to compete with larger banks,” he said.
"Having this partnership allows us to give back to our mortgage members in the form of lower interest rates, which makes housing more affordable here in Austin."

LINDSEY RECORD
SECONDARY MARKET MANAGER
OF UNIVERSITY FEDERAL CREDIT UNION
In 2018, both the median prices of homes and the number of homes sold reached all-time highs according to the Austin Board of Realtors — the eighth year for the city to set price records.

UFCU, a long-time member of the Federal Home Loan Bank of Dallas (FHLB Dallas), found a solution via FHLB Dallas’ Mortgage Partnership Finance® (MPF®) Program.

Created in 1997, MPF provides FHLB Dallas members with a competitive way to access the secondary mortgage market. FHLB Dallas members that become Participating Financial Institutions (PFIs) in MPF gain opportunities to sell certain fixed-rate, conforming mortgage loans into the secondary market. Also, as an important benefit, they have an option to retain servicing on their loans — something UFCU does — to maintain close customer relationships with their members.

UFCU’s members typically seek conventional, FHA, VA and jumbo mortgages at fixed rates to control housing costs, said Lindsey Record, secondary market manager at UFCU.

The credit union began delivering loans into MPF in July 2018. The partnership has enabled the credit union to offer lower rates to help members who want to become first-time homeowners or step up to a larger home, she said.

“Having this partnership allows us to give back to our mortgage members in the form of lower interest rates, which makes housing more affordable here in Austin,” she said.

The partnership has paid dividends in other ways as well. Ms. Record said revenue the credit union brings in by selling its loans through the MPF Program enables UFCU to offer lower interest rates on other lending products, such as auto loans while increasing the dividends it pays on certificates.
Setting up the process

UFCU spent 90 to 120 days setting up the process. This timeline varies according to the needs and desires of the participating financial institution (PFI). According to Ms. Record, UFCU wanted ample time for staff training, but found that joining the program was a relatively simple transition: UFCU already had processes in place similar to MPF’s for selling into the secondary market.

The MPF training and onboarding process began with an application to become a participating financial institution (PFI) and onsite training provided by FHLB Dallas.

“There wasn’t much of an operational change,” she said. “When the benefit for members has minimal impact to our staff, it’s a win-win all around.”

The credit union also found the risk-sharing element of MPF worked because its high-quality loans already met the MPF Program criteria. Moreover, because of UFCU’s prior history with FHLB Dallas and its use of other products and services, the institution entered into MPF with a level of comfort knowing it was working with a reputable partner, Ms. Record said.

“After evaluating the MPF Program, and realizing all the benefits that our members would reap from being able to bring this process on board, we found we had no cause for pause because FHLB Dallas was truly a great vendor-partner for us,” she said.

It’s all about family

Finding someone who was truly a partner was important to the credit union. Despite its significant size — 21 locations and approaching $3 billion in assets under management — UFCU prides itself on a family-like atmosphere, Ms. Record said.

Ms. Record first joined the UFCU family in 2006 as a part-time teller at a branch near The University of Texas at Austin where she was an economics major. Ms. Record said her mother worked for a credit union, and she was intrigued by the industry. After graduation, Ms. Record worked her way up the ranks at UFCU, working in branch management and obtaining her MBA with a concentration in corporate finance. She transitioned into a financial analyst role and eventually became the secondary market manager where she has a wide range of duties that include overseeing the MPF Program. As a side note, Ms. Record met her husband at UFCU. He works in the Information Technology department.
Having MPF here to support us with streamlined processes, competitive pricing and easy-to-understand guidelines has helped us create a product that is suitable for our members.

LINDSEY RECORD
SECONDARY MARKET MANAGER
OF UNIVERSITY FEDERAL CREDIT UNION
Addressing change

The mortgage industry has been extremely competitive in recent years. UFCU has maintained high-quality mortgage standards throughout its history, focusing heavily on homebuyer education to ensure borrowers have the ability to pay their mortgage and are well prepared for homeownership. On the business side, it has worked to be competitive using a variety of strategies, including hedging to earn more income on its loans. In addition, to increase effectiveness, loan officers have the opportunity to attend training. Using these strategies is working for UFCU, recently named the No. 1 mortgage lender in Austin by the Austin Business Journal in 2018.

"Having MPF here to support us with streamlined processes, competitive pricing and easy-to-understand guidelines has helped us create a product that is suitable for our members," she said. If MPF weren’t an option, UFCU would have continued to sell its residential mortgages to other investors in the market. But, it prefers the relationship it has with FHLB Dallas, which has aligned the credit union’s goals of helping to meet the needs of members seeking affordable housing.

Through the MPF Program, FHLB Dallas has helped UFCU take care of its members, Ms. Record said.

"FHLB Dallas is working with you to meet your members’ needs. They will advocate on your behalf to make sure they are meeting all your needs so that you can, in turn, meet your members’ needs. They are focused on making sure that we have what we need to be successful," she said. "It’s the crucial part of being part of a cooperative and working with partners versus just working with vendors."

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**MPF BENEFITS TO FHLB DALLAS MEMBERS**

- Offers fixed-rate residential mortgage loans to borrowers
- Provides access to the secondary market
- Provides mandatory and best-efforts pricing options
- Provides option to retain servicing or sell servicing at a premium
- Offers the ability to transfer interest-rate- and prepayment risks typically associated with holding long-term, single-family mortgage loans to the investor
- Available in single loan or bulk delivery
- Offers next-day funding

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**AT A GLANCE**

**HISTORY**

Created by The University of Texas at Austin professors in 1936, UFCU serves more than 200 universities, associations, and employers in Central Texas and Galveston County.

**LOCATIONS**

19 branches in Austin, 2 in Galveston County

**MEMBERS/OWNERS**

252,763

Source: UFCU (Unaudited Statement of Financial Condition) December 31, 2018

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**TOTAL ASSETS UNDER MANAGEMENT**

$2.4 billion

**TOTAL DEPOSITS**

$2.1 billion

**SAMPLING OF PRODUCTS**

Personal, auto, business and real estate loans; credit cards, IRAs, certificates, checking accounts

**FHLB PRODUCTS USED**

MPF*, advances
# FINANCIAL HIGHLIGHTS

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SELECTED ITEMS AT YEAR-END</strong></td>
<td></td>
<td></td>
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<tr>
<td>Total Assets</td>
<td>$72,773,290</td>
<td>$68,524,301</td>
<td>$58,212,077</td>
</tr>
<tr>
<td>Advances</td>
<td>40,793,813</td>
<td>36,460,524</td>
<td>32,506,175</td>
</tr>
<tr>
<td>Mortgage Loans (Net)</td>
<td>2,185,503</td>
<td>877,852</td>
<td>123,961</td>
</tr>
<tr>
<td>Investments</td>
<td>29,551,929</td>
<td>30,941,464</td>
<td>25,419,421</td>
</tr>
<tr>
<td>Total Consolidated Obligations</td>
<td>67,663,642</td>
<td>63,887,616</td>
<td>53,939,269</td>
</tr>
<tr>
<td>Total Retained Earnings</td>
<td>1,081,367</td>
<td>941,763</td>
<td>823,984</td>
</tr>
<tr>
<td>Total Capital</td>
<td>3,764,256</td>
<td>3,480,026</td>
<td>2,817,342</td>
</tr>
<tr>
<td><strong>ANNUAL OPERATING RESULTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$198,775</td>
<td>$150,287</td>
<td>$79,449</td>
</tr>
<tr>
<td>Affordable Housing Program Assessments</td>
<td>22,097</td>
<td>16,710</td>
<td>8,831</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>59,171</td>
<td>32,508</td>
<td>17,668</td>
</tr>
<tr>
<td><strong>PERFORMANCE RATIOS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Average Assets</td>
<td>0.29%</td>
<td>0.25%</td>
<td>0.15%</td>
</tr>
<tr>
<td>Return on Average Equity (ROE)</td>
<td>5.22%</td>
<td>4.75%</td>
<td>3.16%</td>
</tr>
<tr>
<td><strong>CAPITAL RATIO AT YEAR-END</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Capital Ratio</td>
<td>5.01%</td>
<td>4.77%</td>
<td>4.74%</td>
</tr>
<tr>
<td><strong>INTEREST RATES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average One-Month LIBOR</td>
<td>2.02%</td>
<td>1.11%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Average Three-Month LIBOR</td>
<td>2.31%</td>
<td>1.26%</td>
<td>0.74%</td>
</tr>
<tr>
<td>Average Effective Federal Funds Rate</td>
<td>1.83%</td>
<td>1.00%</td>
<td>0.39%</td>
</tr>
</tbody>
</table>
MEMBER OFFERINGS

ADVANCES

Total advances were $40.8 billion at December 31, 2018, compared with $36.5 billion at December 31, 2017. The Bank’s advances increased due largely to increased demand for loans from its larger members, which the Bank attributed in part to increased loan demand at these institutions. The Bank’s larger members also used advances to varying degrees to fund investment activities and to meet liquidity requirements.

MORTGAGE PARTNERSHIP FINANCE® (MPF®) PROGRAM

The Bank holds interests in a portfolio of mostly conventional mortgage loans that have been acquired through the Mortgage Partnership Finance® (MPF®) Program administered by the FHLBank of Chicago. The Bank had not purchased loans under the program since mid-2003. Since resuming the purchase of mortgage loans from members in 2016, the Bank’s on-balance sheet loan portfolio has grown from $55 million at December 31, 2015 to $2.2 billion at December 31, 2018.

LETTERS OF CREDIT ISSUED TO MEMBERS

The Bank’s credit services include letters of credit issued or confirmed on behalf of members to facilitate business transactions with third parties that support residential housing finance, community lending or asset/liability management or to provide liquidity to members. Letters of credit are also issued on behalf of members to secure the deposits of public entities that are held by such members. At December 31, 2018, outstanding letters of credit totaled $18.5 billion, up from $16.2 billion in 2017 and $11.2 billion in 2016. The Bank’s LOC business has increased more than 325 percent from $4.3 billion at year-end 2014, due largely to reduced pricing that was put in place in October 2014 on all custodial and standby letters of credit. At that time, the Bank also introduced a new fluctuating balance feature, which provides members with the option of paying only for the amount of the letter of credit that the member is required to pledge as collateral.
The Bank ended 2018 with total assets of $72.8 billion compared with $68.5 billion at the end of 2017. The $4.3 billion increase in total assets was attributable primarily to increases in the Bank’s advances ($4.3 billion), long-term investments ($1.0 billion) and mortgage loans held for portfolio ($1.3 billion), partially offset by a decrease in the Bank’s short-term liquidity portfolio ($2.3 billion).

The Bank’s retained earnings increased to $1.08 billion at December 31, 2018 from $942 million at December 31, 2017. Retained earnings represented 1.5 percent and 1.4 percent of total assets at December 31, 2018 and 2017, respectively.

The Bank’s net income for 2018 was $198.8 million, which represented a return on average capital stock of 7.86 percent. In comparison, the Bank’s net income for 2017 was $150.3 million, which represented a return on average capital stock of 7.04 percent for that year. The $48.5 million increase in net income from 2017 to 2018 was attributable to a $73.1 million increase in net interest income after provision for loan losses and a $1.3 million decrease in non-interest expenses, offset by a $20.5 million decrease in non-interest income and a $5.4 million increase in the Bank’s Affordable Housing Program (AHP) assessment.
2019 BOARD OF DIRECTORS

Joseph F. Quinlan Jr.
FHLB Dallas Board Chairman
Chairman
First National Bankers Bank
Baton Rouge, Louisiana

Mary E. Ceverha
Civic Volunteer
Dallas, Texas

A. Frederick Miller Jr.
Chairman
Bank of Anguilla
Anguilla, Mississippi

R. Michael Rigby
FHLB Dallas Board Vice Chairman
Regional President, EVP and Advisory Director
Legend Bank
Fort Worth, Texas

Albert C. Christman
Chairman and CEO
Guaranty Bank & Trust Company of Delhi
Delhi, Louisiana

Sally Ingalls Nelson
Chairperson and CEO
NextWave Ventures
Huntsville, Texas

Cheryl D. Alston
Executive Director and Chief Investment Officer
Employees’ Retirement Fund of the City of Dallas
Dallas, Texas

James D. Goudge
Chairman
Broadway National Bank
San Antonio, Texas

John P. Salazar
Attorney and Director
Rodey, Dickason, Sloan, Akin & Robb, P.A.
Albuquerque, New Mexico

Dianne W. Bolen
Retired Executive Director of the Mississippi Home Corporation
Jackson, Mississippi

W. Wesley Hoskins
Chairman, President and CEO
First Community Bank
Corpus Christi, Texas

Margo S. Scholin
Retired Partner of Baker Botts L.L.P.
Houston, Texas

Patricia P. Brister
President
St. Tammany Parish
Mandeville, Louisiana

Michael C. Hutsell
Director and President
First Security Bank
Searcy, Arkansas

Ron G. Wiser
Director, President and CEO
Bank of the Southwest
Roswell, New Mexico

Tim H. Carter
Director and Development Officer
Southside Bank
Fort Worth, Texas

G. Granger MacDonald
Chairman and CEO
MacDonald Companies
Kerrville, Texas

FHLB DALLAS EXECUTIVE TEAM

Sanjay Bhasin
President and CEO

Sandra Damholt
Senior Vice President
General Counsel

Tom Lewis
Executive Vice President
Chief Financial Officer

Jibo Pan
Executive Vice President
Head of Capital Markets

Eric Blackman
Senior Vice President
Chief Audit Executive

Kelly Davis
Senior Vice President
Chief Risk Officer

Kalyan Madhavan
Executive Vice President
Group Head, Members and Markets

Jeff Yeager
Senior Vice President
Chief Information Officer

Brehan Chapman
Executive Vice President
Chief Administrative Officer
OMWI Director

Paul Joiner
Executive Vice President
Chief Strategy Officer

Gustavo Molina
Senior Vice President
Chief Banking Operations Officer

Margo S. Scholin
Retired Partner of Baker Botts L.L.P.
Houston, Texas

Tim H. Carter
Director and Development Officer
Southside Bank
Fort Worth, Texas

G. Granger MacDonald
Chairman and CEO
MacDonald Companies
Kerrville, Texas

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2019 AFFORDABLE HOUSING ADVISORY COUNCIL

Tim Pierce
Executive Director (Chairman)
South Plains Association of Governments
Lubbock, Texas

Felipe Rael
Executive Director (Vice Chairman)
Greater Albuquerque Housing Partnership
Albuquerque, New Mexico

Angela Curry
Executive Director
Greenwood-LeFlore-Carroll Economic Development Foundation
Greenwood, Mississippi

Jeff Curry
Director of Development
JL Gray Company, Inc.
Las Cruces, New Mexico

Keith Cunningham
Executive Director
Louisiana Housing Corporation
Baton Rouge, Louisiana

Michelle Den Bleyker
Vice President
YES Housing, Inc.
Midland, Texas

Jacque Haas Woodring
Chief of Staff
Prospera Housing Community Services
San Antonio, Texas

Matt Hull
Executive Director
Texas Association of Community Development Corporations
Austin, Texas

Chris Monforton
Chief Executive Officer
Habitat for Humanity Mississippi Gulf Coast
Gulfport, Mississippi

Jim Petty
Owner, President and CEO
Strategic Realty Developers, Inc.
Van Buren, Arkansas

Karen Phillips
Sebastian County Project Coordinator
Restore Hope Arkansas
Fort Smith, Arkansas

Samuel Sanders
Executive Director
Mid City Redevelopment Alliance, Inc.
Baton Rouge, Louisiana

Michelle Whetten
Vice President and Impact Market Leader Gulf Coast
Enterprise Community Partners, Inc.
New Orleans, Louisiana
2019 MEMBER SALES

Steve Otto
First Vice President
Director of Member Sales

Lee Cammerer
Vice President
MPF® Senior Sales Manager

Christopher Hopkins
Vice President
Senior Sales Manager

Kevin Kogucz
Vice President
Senior Sales Manager

Jeff Martin
Senior Sales Manager

Shyla Newton
Mortgage Partnership Sales Support Manager

Jeff Sabin
Senior Sales Manager

Vanessa Soto
Associate Sales Manager

Scott Sparks
Senior Sales Manager

2019 MEMBER SERVICES

Christina Ungaro
Assistant Vice President
Member Services and Products Manager

Mandip Dhanoa
Member Services Supervisor

Juliet Kinyua
Member Services Associate

Elton Mavhunga
Member Services Associate

Gabrielle Prosser
Member Services Associate

CONTACT US

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