MEMBER SOLUTIONS

FLOATING-TO-FIXED FUNDING STRATEGY

For audio, please dial: (855) 489-5832, Conference ID 57974126

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Thank You and Welcome

Agenda

- Floating-to-Fixed Funding Strategy
- Questions and Answers

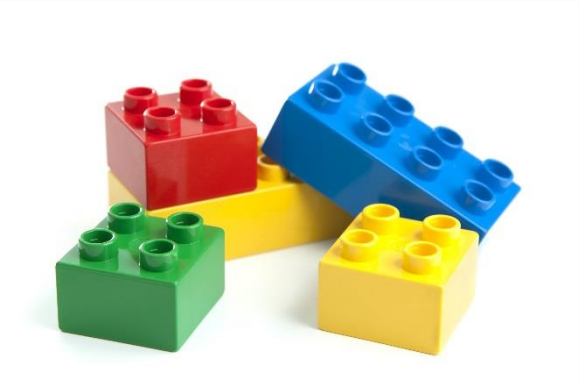
What is a Floating-to-Fixed Funding Strategy and How Could I Use It?

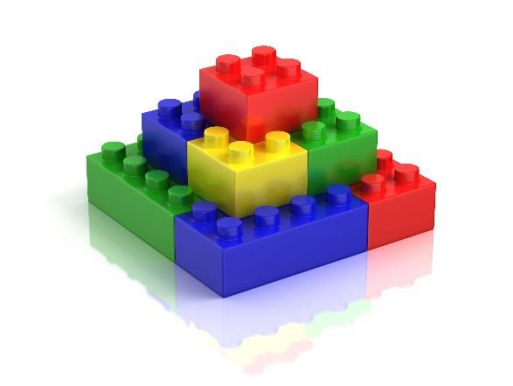
Floating-to-Fixed Funding Strategy

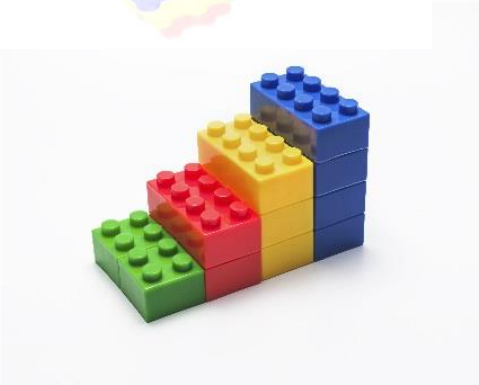
Benefits

- Allows you to be competitive by enabling you to match-fund construction-to-permanent loans with your customers
- Is customizable to meet your needs. You choose the tenure and floating-rate index
- Enables you to mitigate risk by determining the variables up front and locking in your spread

Lock in your spread on construction-to-permanent loans







A “funding strategy” aligns two or more products to achieve a specific funding objective

The Floating-to-Fixed Funding Strategy Combines . . .

A. Floating-Rate Advance
B. Fixed-Rate, Forward-Starting Advance

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Floating-to-Fixed Funding Strategy

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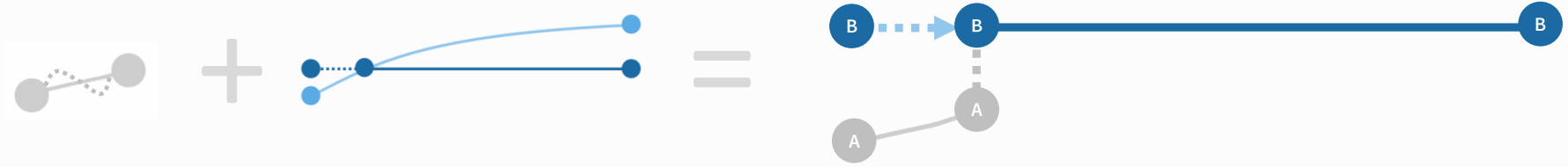

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Floating-to-Fixed Funding Strategy

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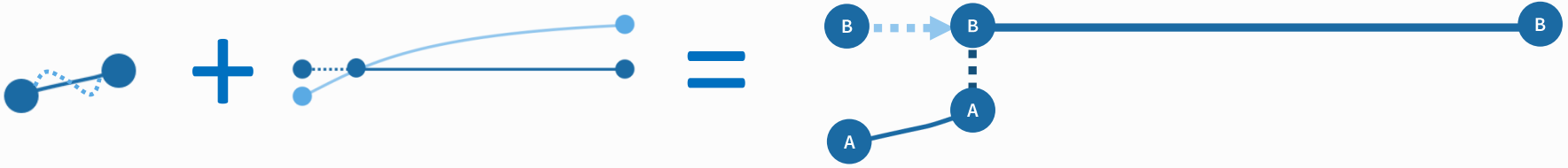


A. Floating-Rate Advance

B. Fixed-Rate, Forward-Starting Advance

Floating-to-Fixed Funding Strategy

A. Floating-Rate Advance

The Floating-Rate Advance:

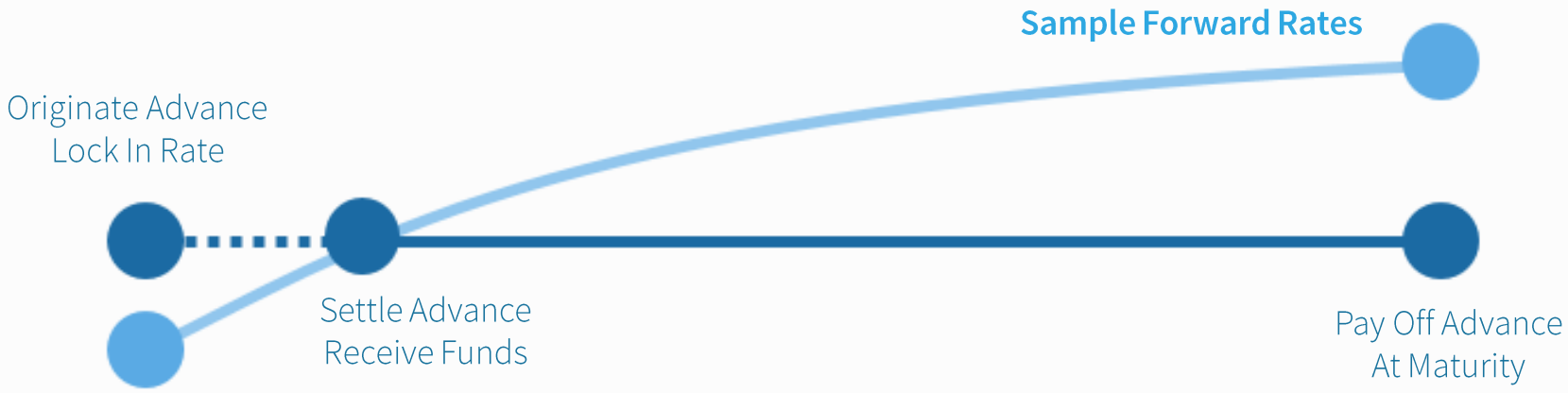
- Indexed to LIBOR (1- or 3-month) or FHLB Discount Notes
- Rate of elected index plus a spread

For terms and advance types, see the ‘‘Advances Products Guide’’ in the Guides and Forms section of the Resource Center on www.fhlb.com

B. Fixed-Rate, Forward-Starting Advance

Benefits

- Lock in a low rate today on an advance that settles at a future date
- Ideal for rising-rate environment



Take advantage of the current low-interest rate environment by locking in a rate today for an advance that settles in the future

B. Fixed-Rate, Forward-Starting Advance

Available structures

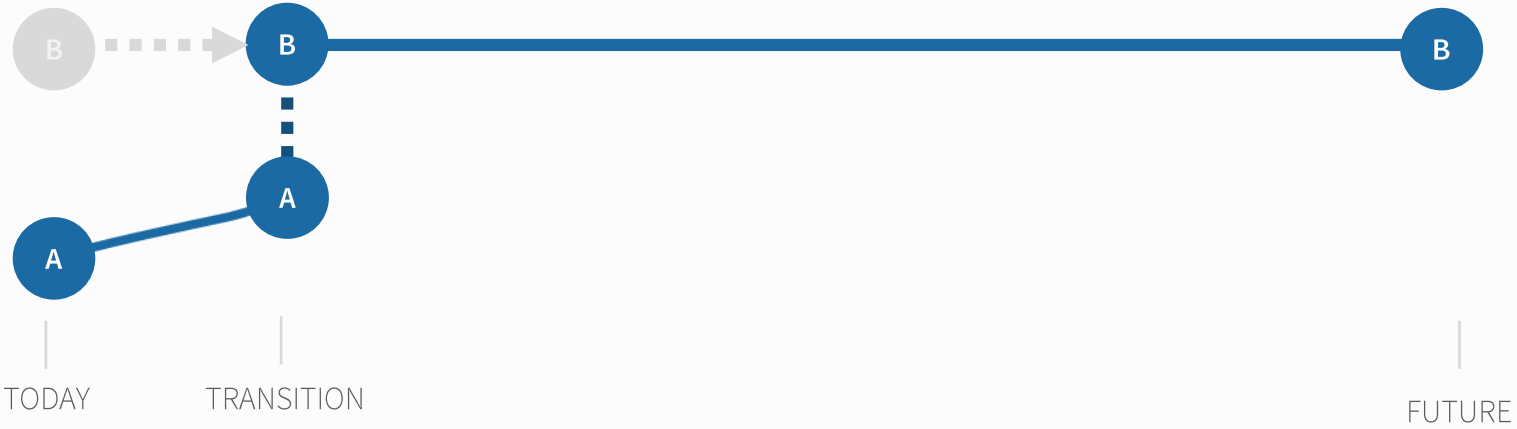
Maturity Terms	Maximum allowable terms for Fixed-Rate, Fixed-Term and Principal-Amortizing advances
Minimum Transaction Size	No minimum up to 10 years. $5 million minimum when: a.) Terms are beyond 10 years b.) May include a Symmetrical Prepayment feature
Settlement	Available for up to 3 years. Longer periods may be available upon request by contacting Member Services at 844.FHL.BANK (844.345.2265)
Capital Stock	Capital Stock is not required until the settlement date
Prepayment Fees	If the Borrower cancels the Advance commitment in whole or in part, FHLB Dallas will charge the Borrower a cancellation fee equal to any prepayment fee that would have applied had FHLB Dallas 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.
Availability and Pricing	Contact Member Services at 844.FHL.BANK (844.345.2265)

Risks

FHLB Dallas does not act as a financial advisor. Member institutions should evaluate the risks and suitability of an advance with the Forward-Starting feature.

Floating-to-Fixed Funding Strategy

A. Floating Rate Advance
B. Fixed-Rate, Forward-Starting Advance

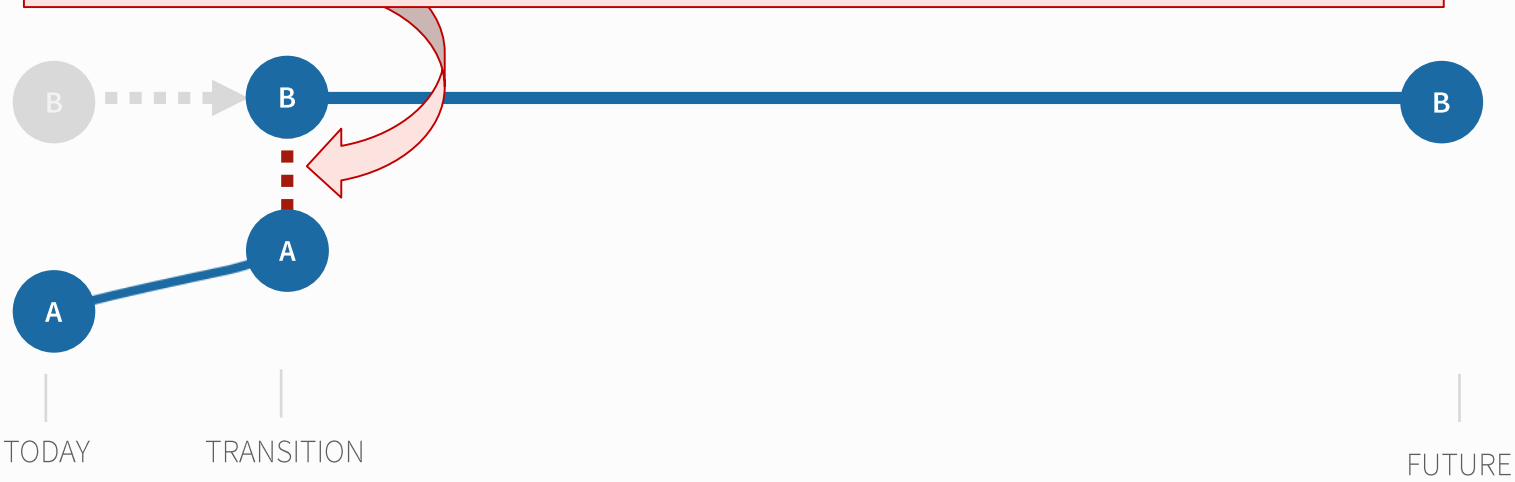


Floating-to-Fixed Funding Strategy

A. Floating Rate Advance
B. Fixed-Rate, Forward-Starting Advance

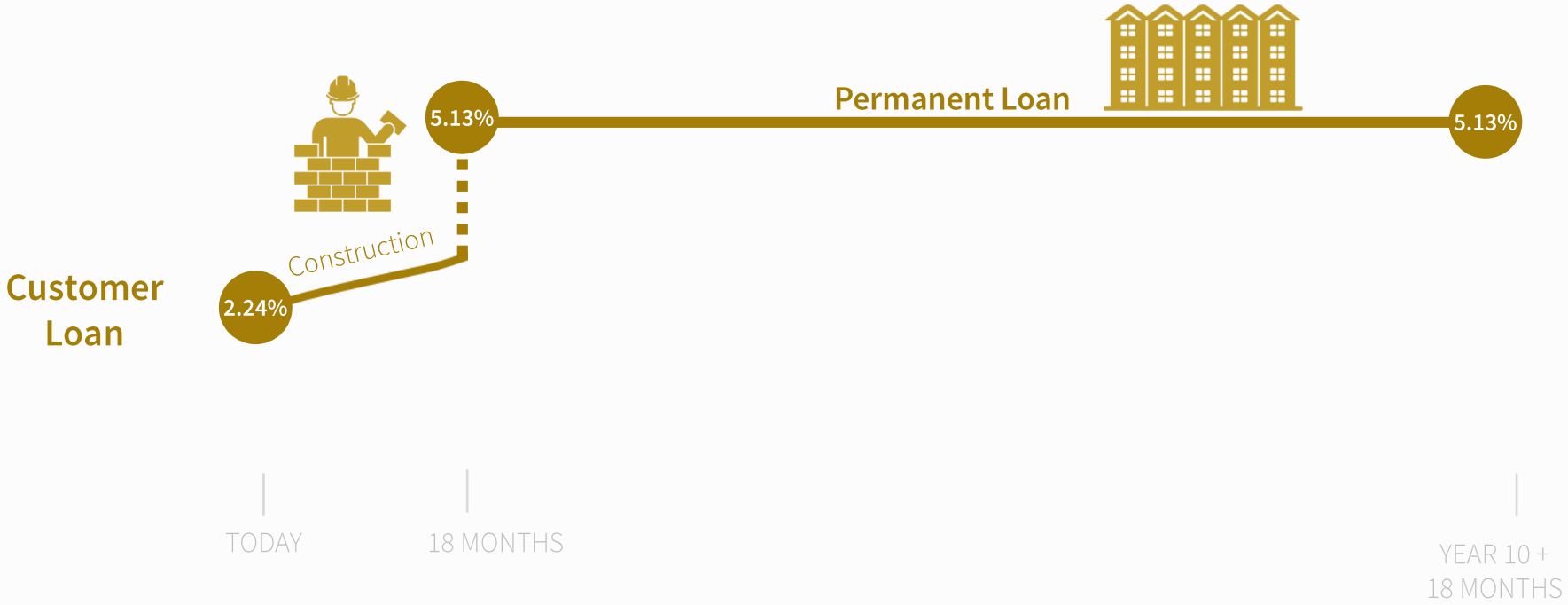
To ensure continuity of funding, sync up:

- Maturity date of the floating-rate advance (A) with
- Settlement date of the fixed-rate, forward-starting advance (B)



Fund Construction-to-Permanent Loans with the Floating-to-Fixed Funding Strategy to Lock in Your Spread

Hypothetical Example: Funding a Construction-to-Permanent Loan

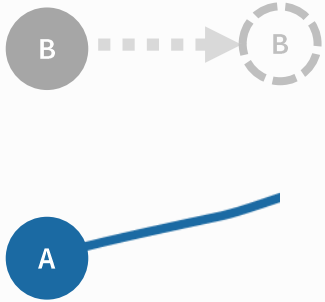


Hypothetical rates/spreads

Floating-to-Fixed Funding Strategy

Hypothetical Example: Floating-rate advance based on a 1-month LIBOR index and a fixed-rate, 20-year principal amortizing advance with a 10-year balloon, forward-starting in 18 months.

Phase: Construction | Permanent



A = Floating Rate Advance (Starting at 0.24%)
B = Fixed-Rate, Forward-Starting Advance (3.13%)

TODAY

18 MONTHS

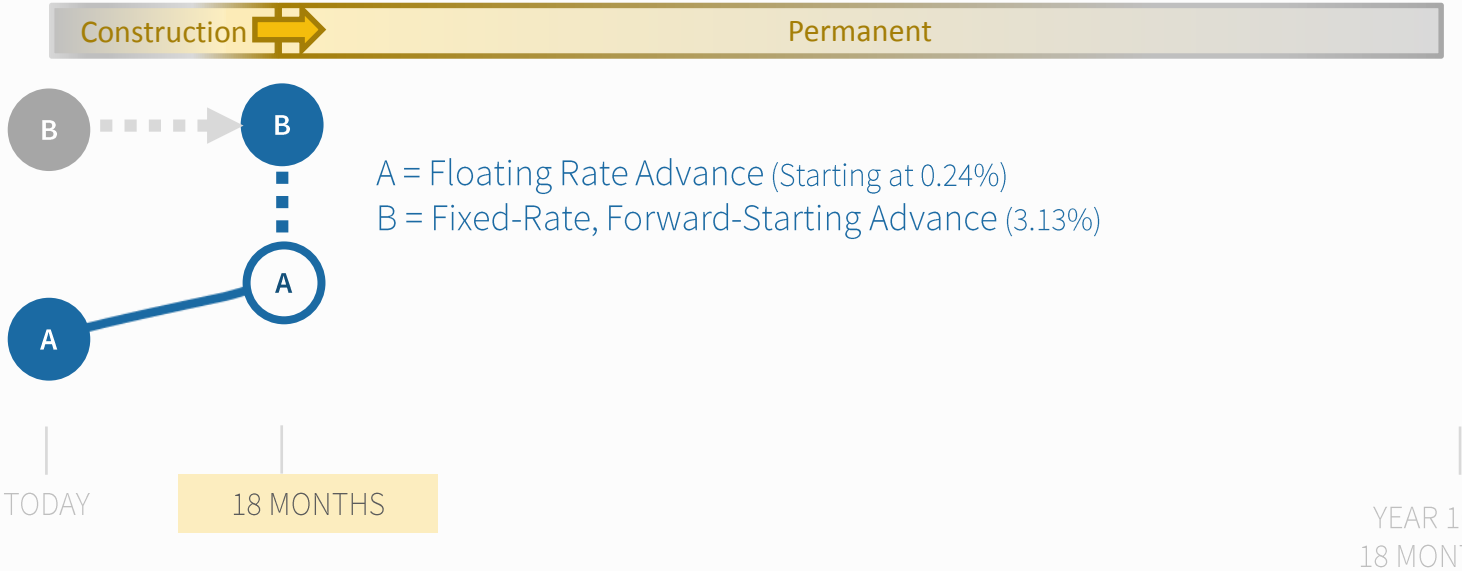
YEAR 10 + 18 MONTHS

1 Originate Advances Lock In Rates

Floating-to-Fixed Funding Strategy

Hypothetical Example: Floating-rate advance based on a 1-month LIBOR index and a fixed-rate, 20-year principal amortizing advance with a 10-year balloon, forward-starting in 18 months.

Phase:



1 Originate Advances Lock In Rates

2 Transition from Floating-to-Fixed

Floating-to-Fixed Funding Strategy

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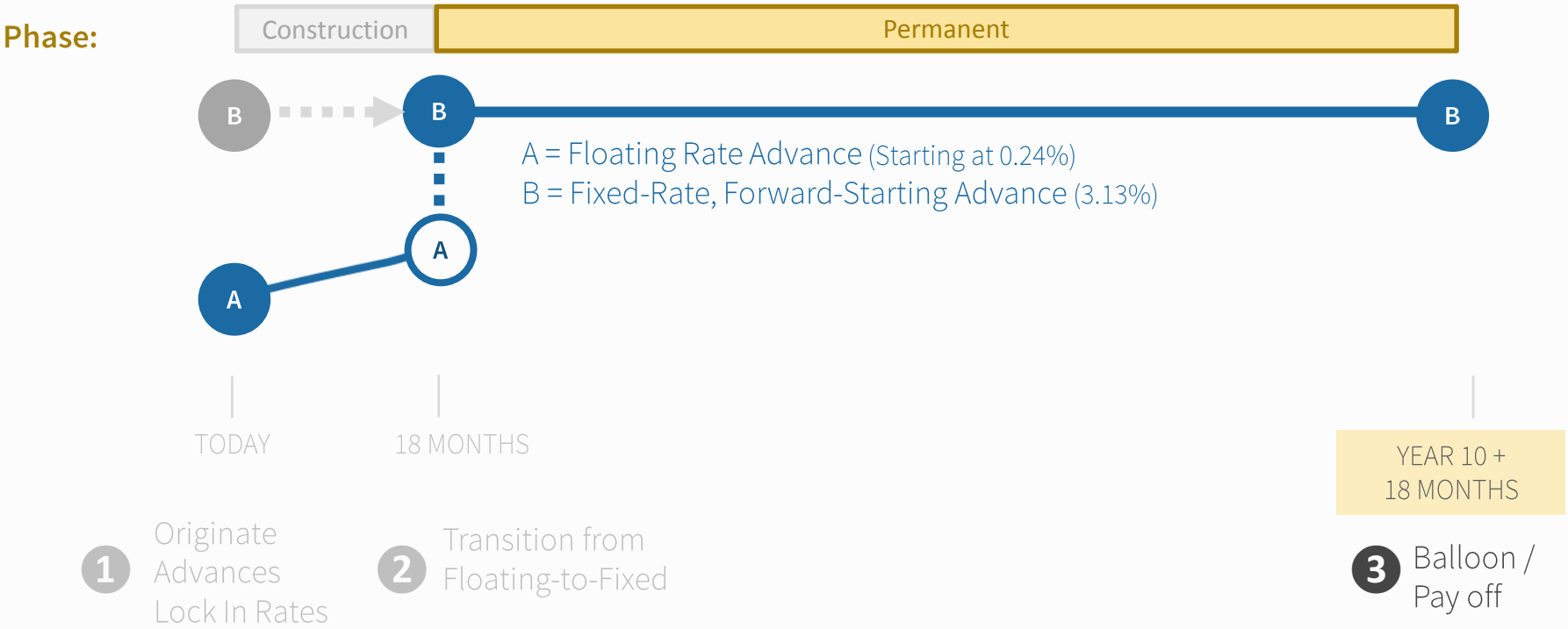
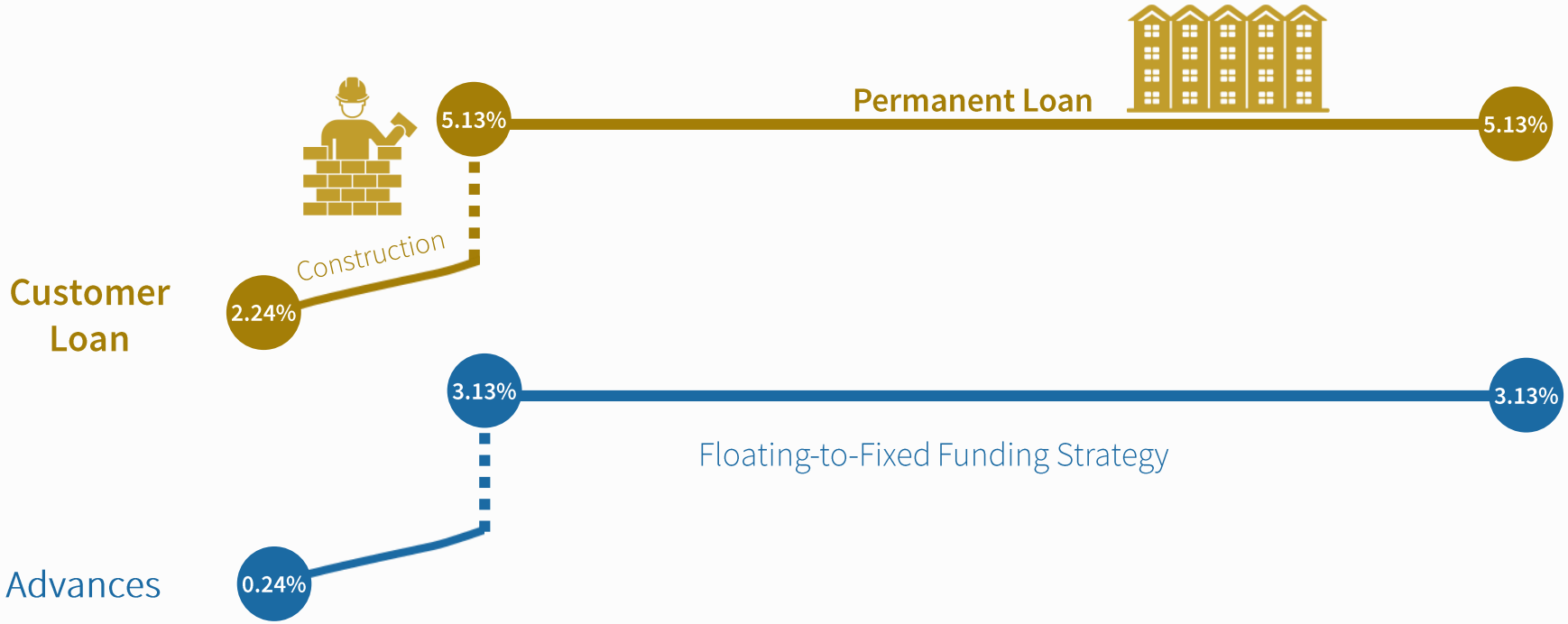
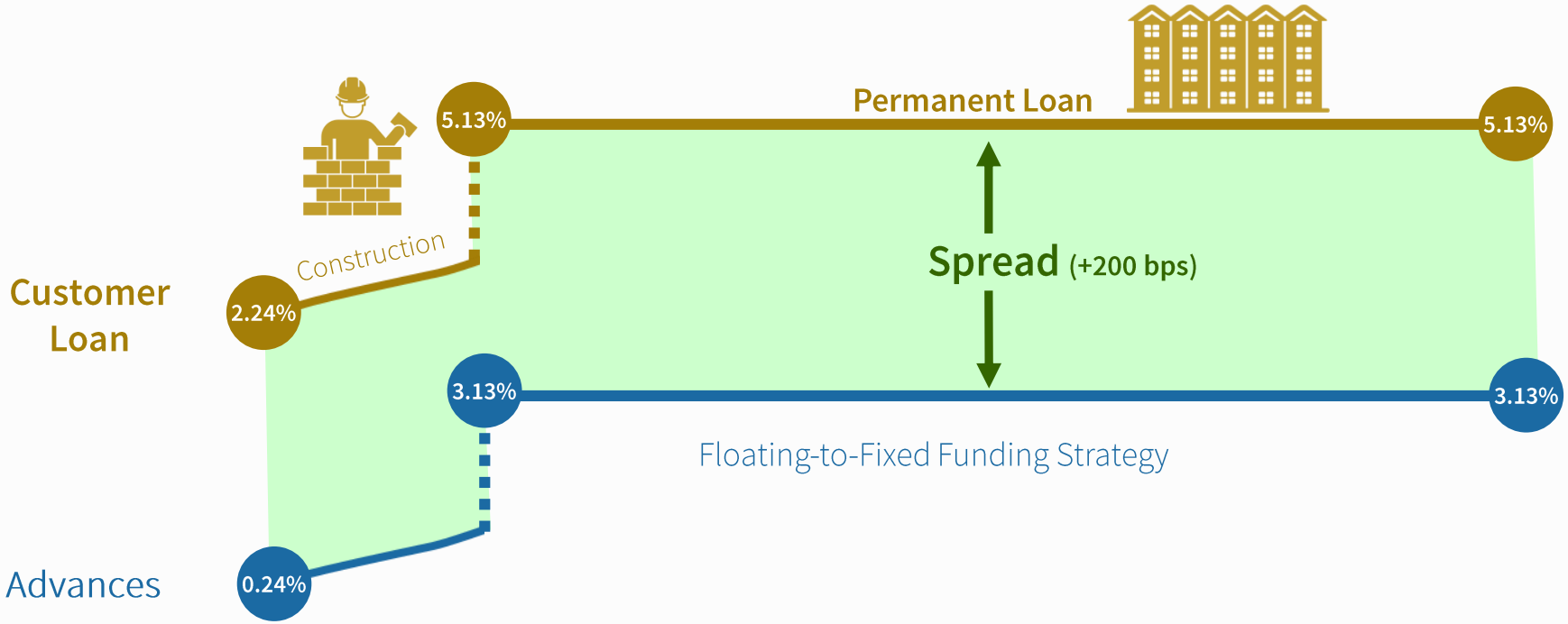


. . . with a Floating-to-Fixed Funding Strategy . . .



Hypothetical rates/spreads assume a floating-rate advance based on a 1-month LIBOR index and a fixed-rate, 20-year principal amortizing advance with a 10-year balloon, forward-starting in 18 months.

. . . to Lock in Your Spread



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Benefits of the Floating-to-Fixed Funding Strategy

- Allows you to be competitive by enabling you to match-fund construction-to-permanent loans with your customers
- Is customizable to meet your needs. You choose the tenure and floating-rate index
- Enables you to mitigate risk by determining the variables up front and locking in your spread

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For Further Information

Member Services

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