

Fluctuating Balance LOC

October 21, 2014

For audio, please dial into: (855) 489-5832, Conference ID 19489223

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Solutions

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This webinar is being recorded.

Agenda for Today's Call

- Reduced Pricing on All Letters of Credit (LOC)
 - Fluctuating Balance LOC
 - Question and Answer
 - Participants may submit their questions via WebEx chat
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Reduced Pricing on All Letters of Credit

- Reduced pricing on all Standby and Custodial Letters of Credit to **5.5 basis points (bps)**, beginning October 1, 2014

From:

Product	≤ 180 Days	> 180 Days and ≤ 365 Days	> 365 Days
SecureConnect Standby LOC / Custodial	20 bps	16 bps	14 bps
Non-SecureConnect Standby LOC / Custodial	25 bps	21 bps	19 bps
Community Investment Standby LOC	14 bps	10 bps	8 bps

To:

Product	Up to 15 Years
SecureConnect Standby LOC / Custodial	5.5 bps
Non-SecureConnect Standby LOC / Custodial	5.5 bps
Community Investment Standby LOC	5.5 bps



Minimum Fee of \$125 unchanged

- LOC confirmation pricing unchanged

Pricing is subject to change

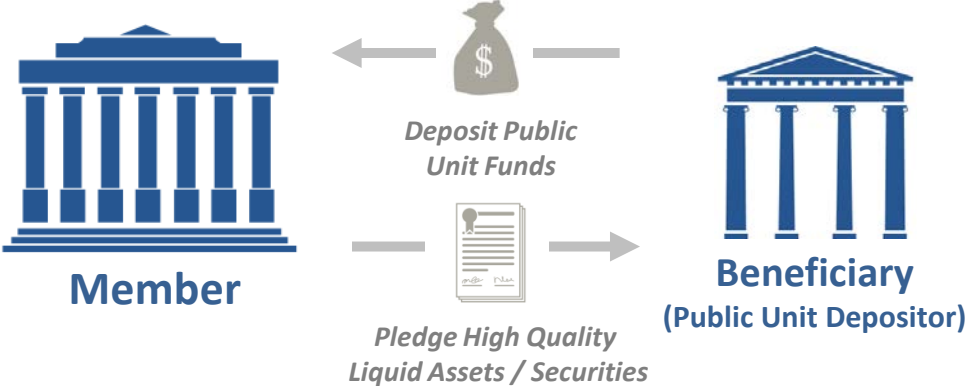
Fluctuating Balance LOC Feature Benefits

- Low cost alternative to traditional LOCs

Structure	Traditional LOC	Fluctuating Balance LOC
Billing Frequency	Upfront, one-time fee	Quarterly, in Arrears
Basis for Billing	Based on Notional Amount	Based on Usage

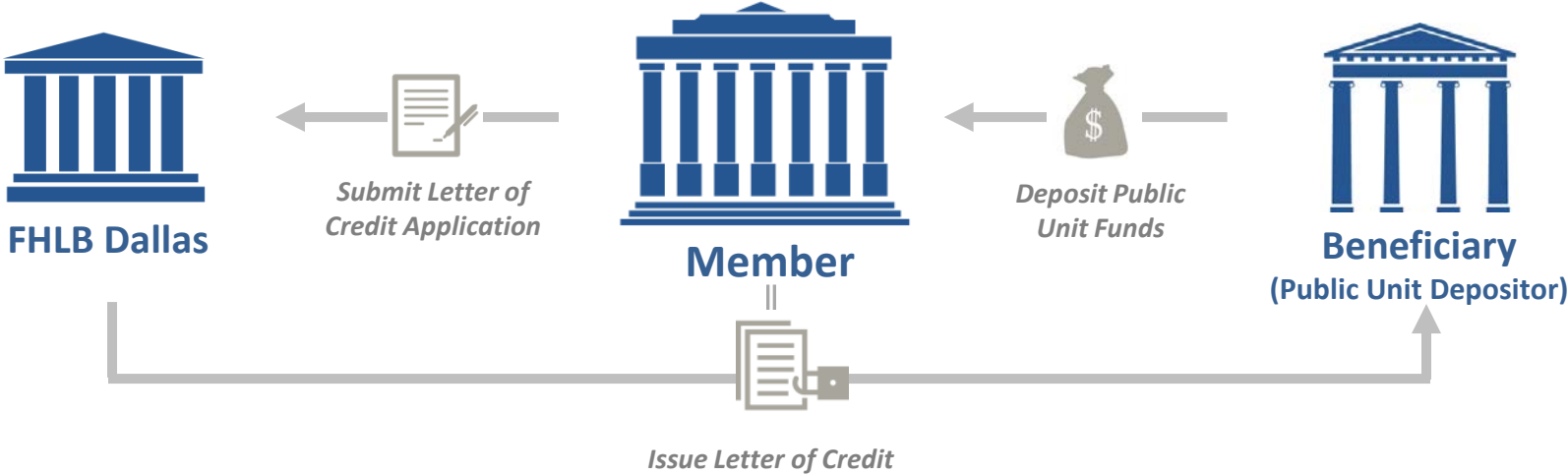
- Easy and flexible method of collateralizing public unit deposits
 - Seasonal fluctuations in deposit balances may occur related to tax collection
 - Establish one LOC based upon the maximum expected deposit balance
 - Fees based on usage
 - Transform illiquid assets into a source of liquidity
 - Use blanket lien or loan collateral to collateralize public unit deposits rather than securities
-

Pledging Securities to Public Unit Depositors



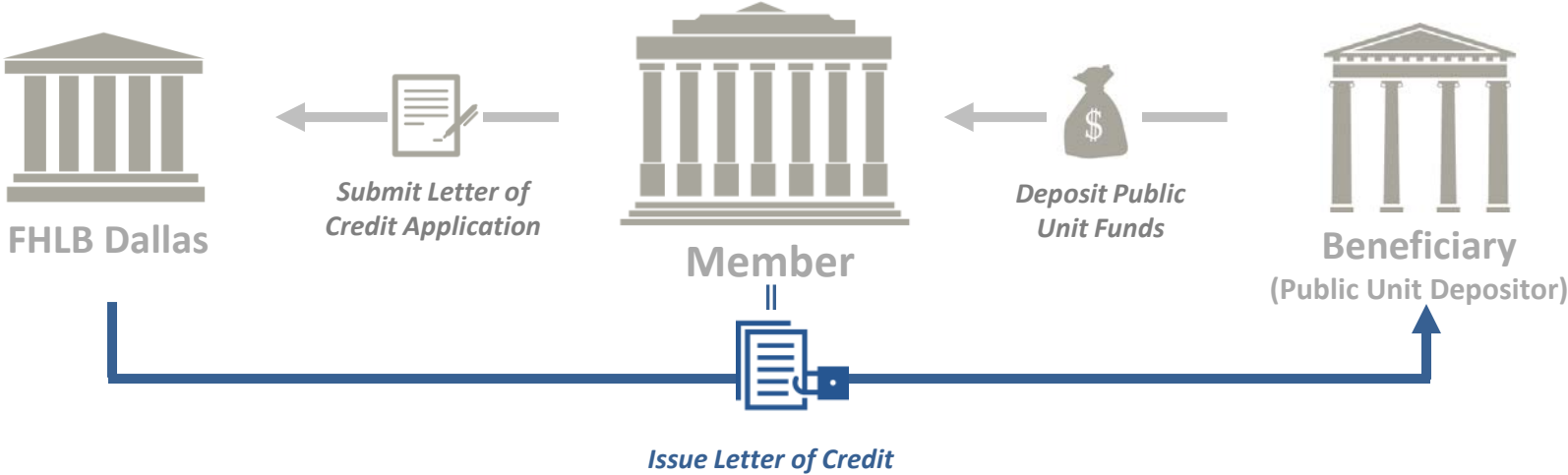
Securities values fluctuate, require monitoring, and increase administrative costs.

FHLB Dallas Direct Standby Letter of Credit (LOC)



FHLB Dallas LOCs provide a low-cost, easily manageable method of securing public unit deposits without the administrative cost of pledged securities.

FHLB Dallas Direct Standby Letter of Credit (LOC)



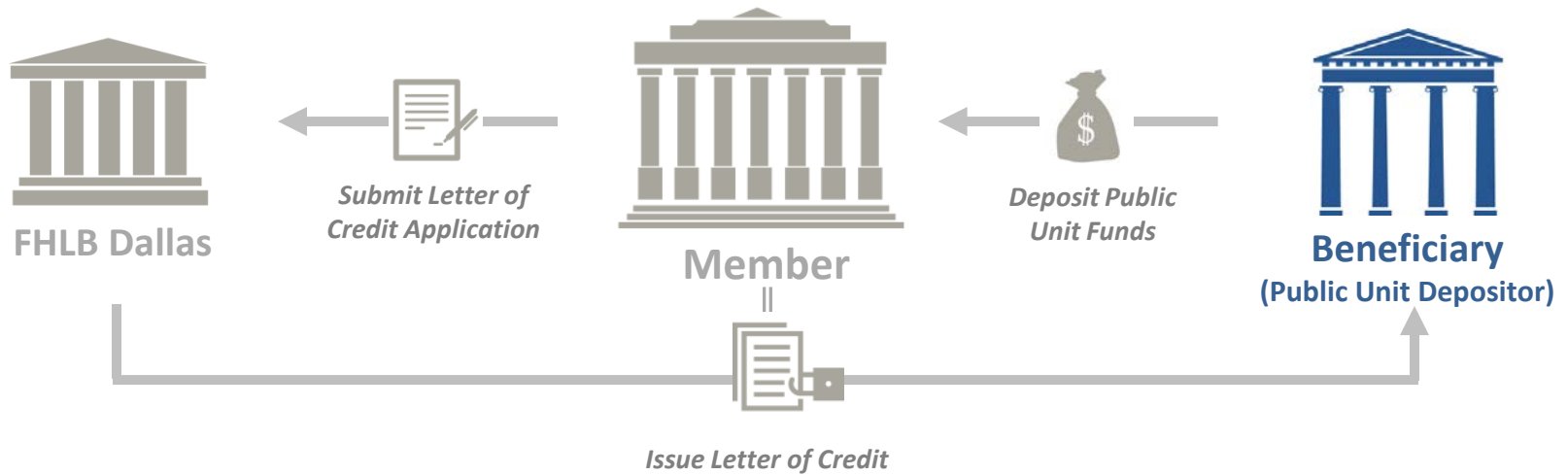
LOCs as Collateral

- ▶ Low cost and easy to manage
- ▶ Values are fixed and defined, not subject to fluctuations
- ▶ Transform illiquid assets to a source of liquidity
(Use blanket lien or loan collateral to collateralize public unit deposits)

FHLB Dallas LOCs provide a low-cost, easily manageable method of securing public unit deposits without the administrative cost of pledged securities.

FHLB Dallas Direct Standby Letter of Credit (LOC)

FHLB LOCs Provide Benefits to Public Unit Depositors

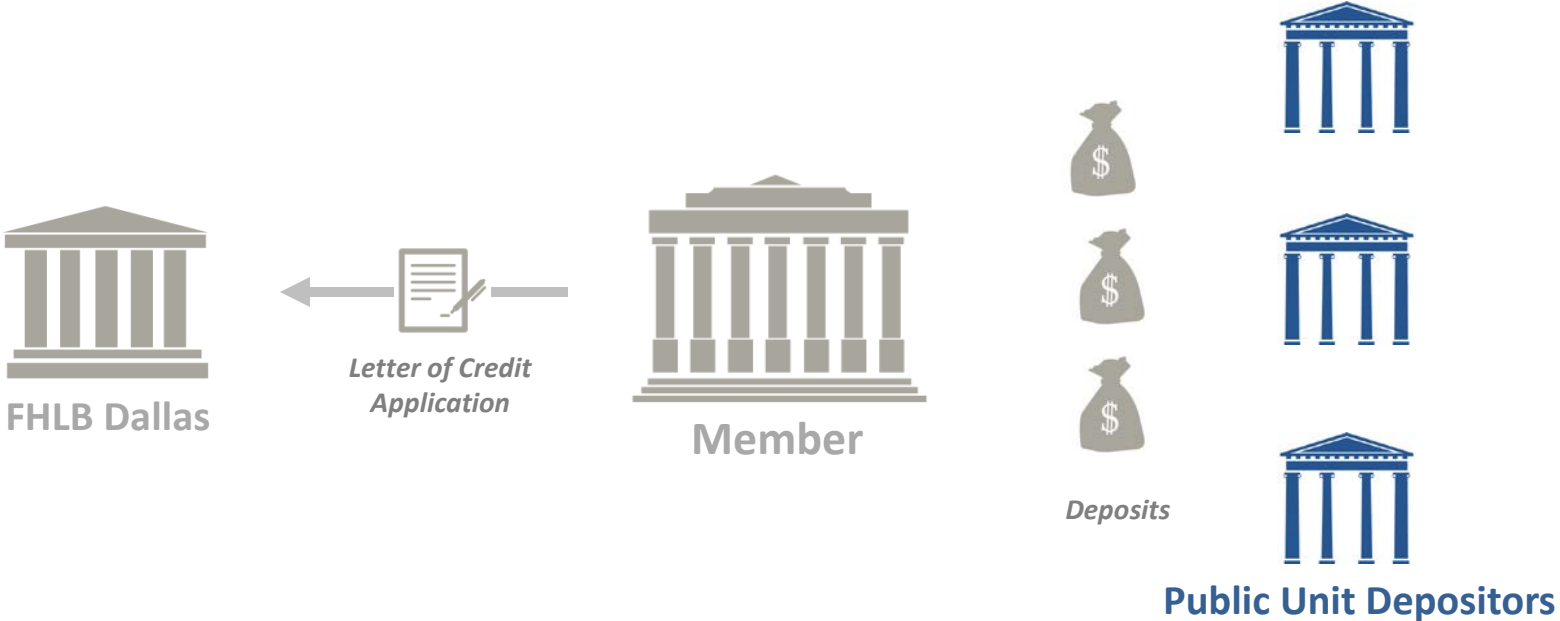


Benefits to Public Unit Depositors:

- ▶ Payment on presentment without court action
- ▶ Fixed and defined values
- ▶ High credit quality (Aaa / AA+)

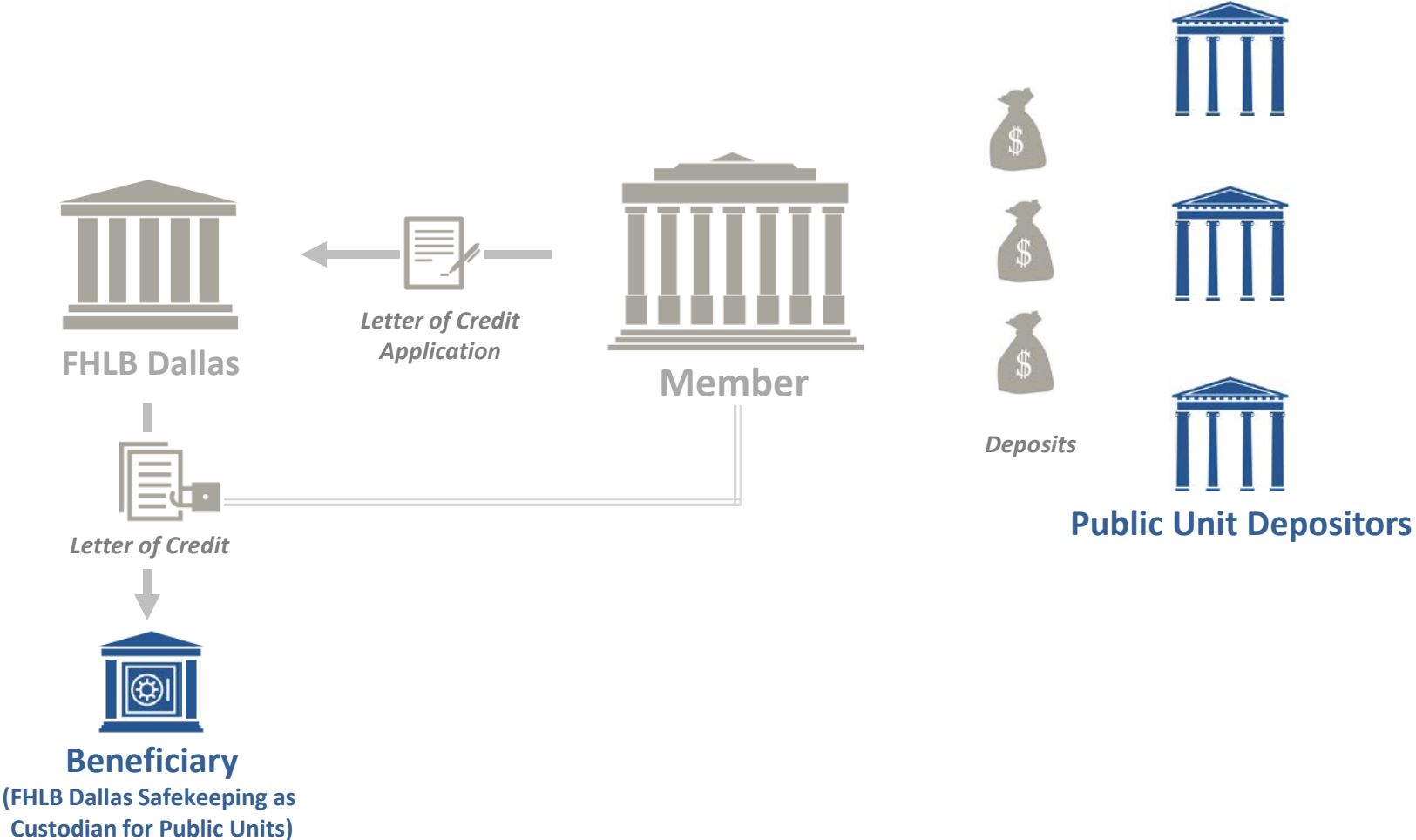
FHLB Dallas LOCs provide a low-cost, easily manageable method of securing public unit deposits without the administrative cost of pledged securities.

FHLB Dallas Custodial LOC – Manage Deposits from Multiple Public Units



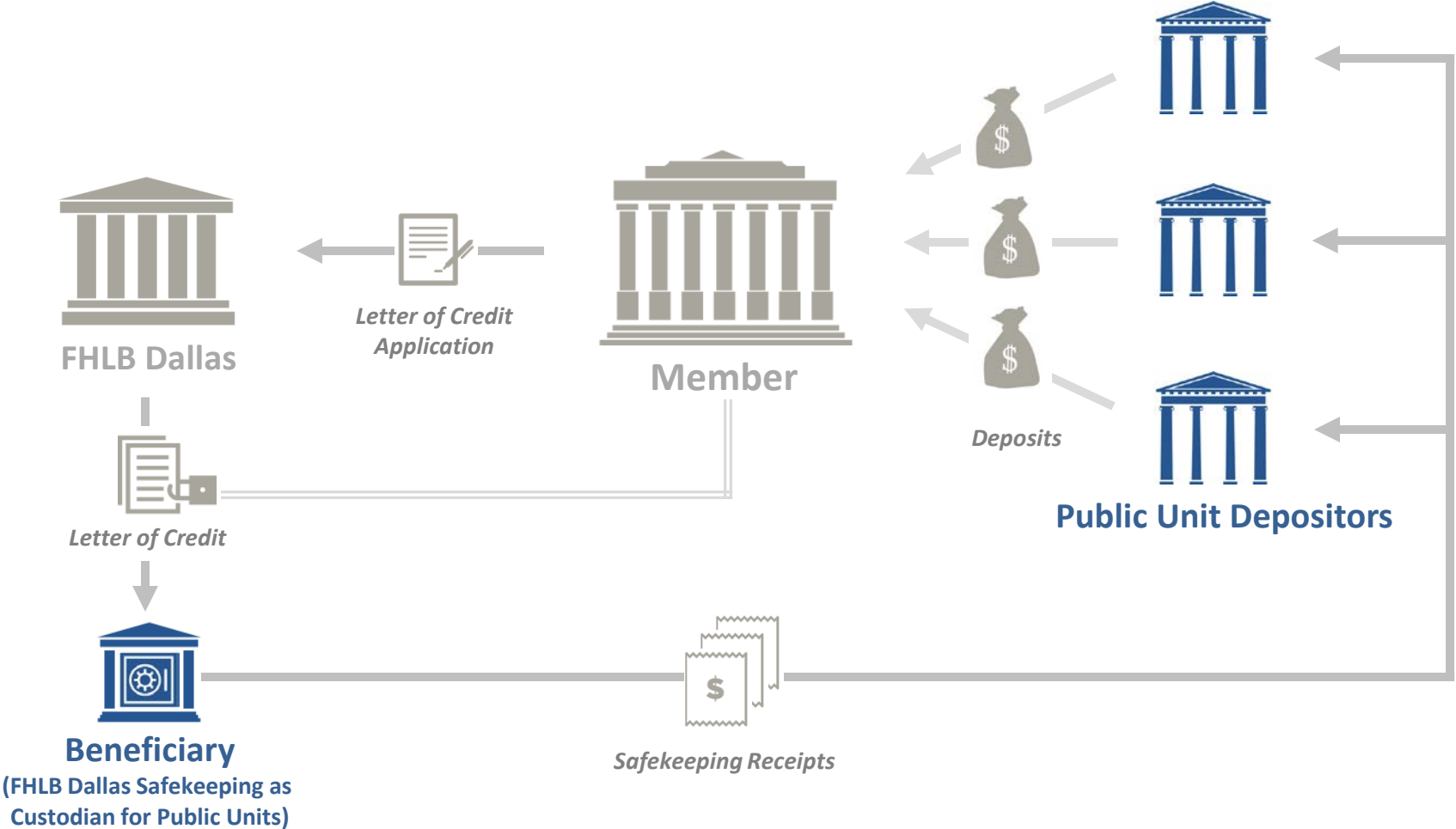
FHLB Dallas Custodial LOC may be used when multiple public units are involved.

FHLB Dallas Custodial LOC – Manage Deposits from Multiple Public Units



FHLB Dallas Custodial LOC may be used when multiple public units are involved.

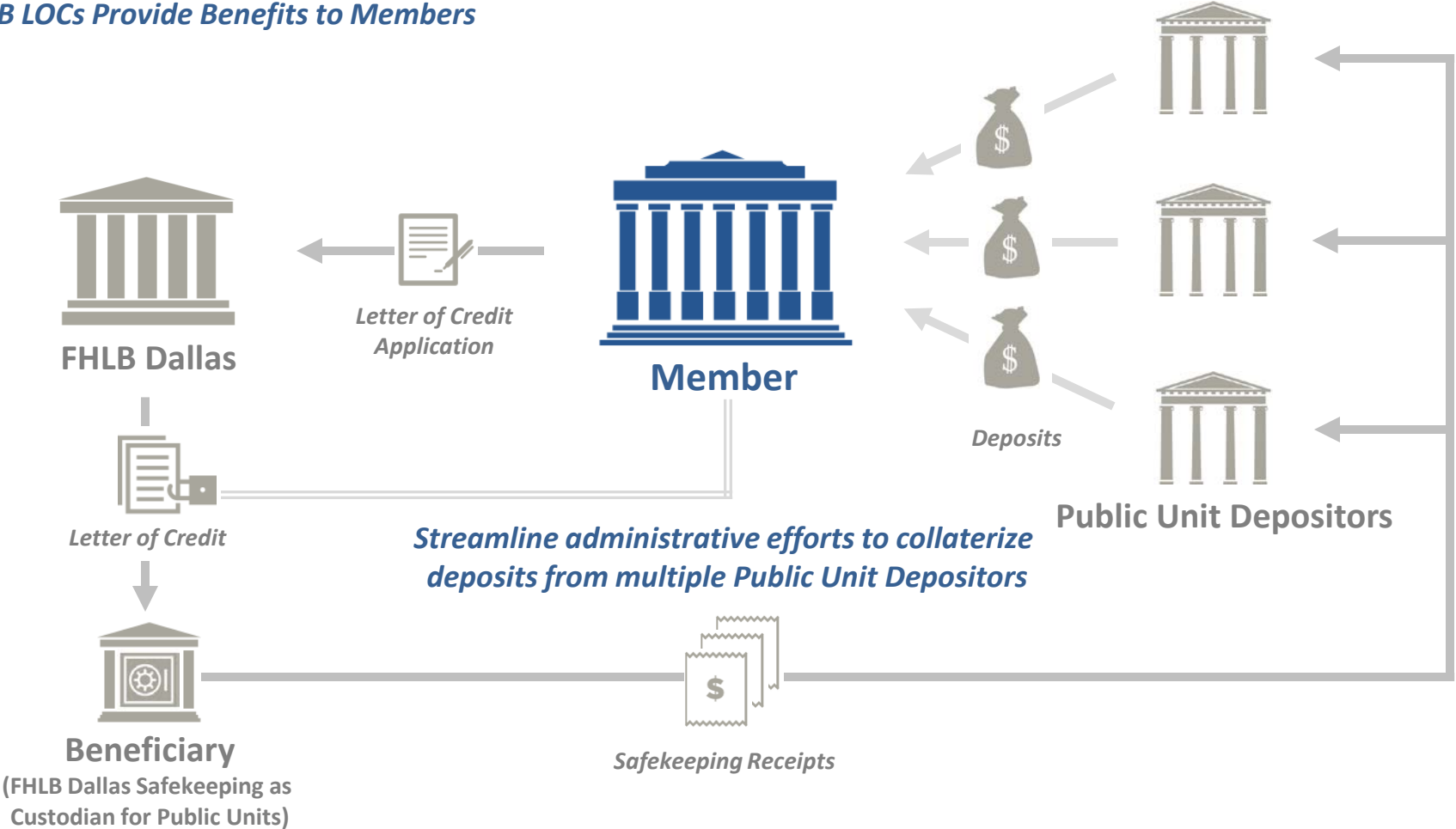
FHLB Dallas Custodial LOC – Manage Deposits from Multiple Public Units



FHLB Dallas Custodial LOC may be used when multiple public units are involved.

FHLB Dallas Custodial LOC – Manage Deposits from Multiple Public Units

FHLB LOCs Provide Benefits to Members



FHLB Dallas Custodial LOC may be used when multiple public units are involved.

Traditional LOC versus Fluctuating Balance LOCs Structure

Structure	Traditional LOC	Fluctuating Balance LOC
Maturity Terms	1 Day to 15 Years	1 Day to 15 Years
Minimum Transaction Size	None	\$25 Million
Billing Frequency	Upfront, One-time fee	Quarterly, in Arrears
Basis for Billing	Based on Notional Amount	Based on Usage (Quarterly Average Utilization*)
Availability and Pricing	Contact Members Sales and / or SecureConnect	Contact Member Sales at 800.442.9841

* Quarterly Average Deposit Balances Requiring Collateralization or Average Aggregate Allocation, as Applicable

Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year



**Complete & Submit
LOC Agreement**
(If not already on file)



Contact Member Sales
☎ 1.800.442.9841
(Not available on SecureConnect)



**Confirm Eligible Collateral
by Public Unit Depositor**



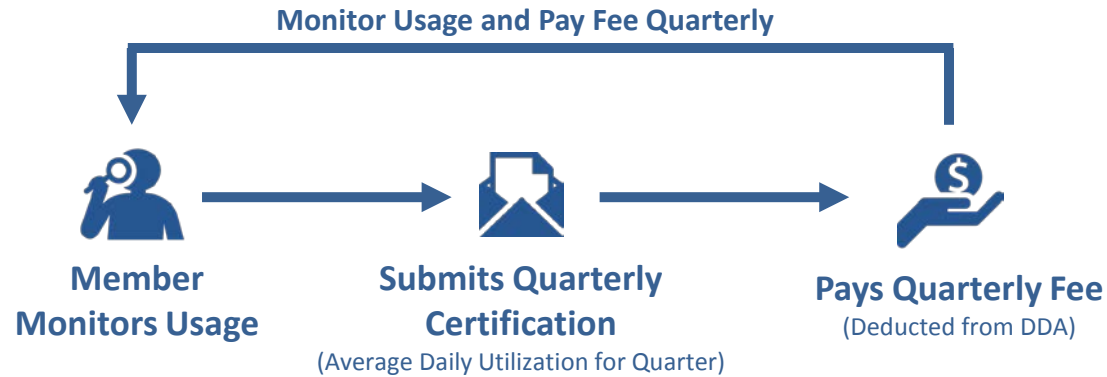
**Complete and Submit
Application**
(✉ lend@fhlb.com or
☎ 1.214.441.8551)



**\$100 Million
Letter of Credit**

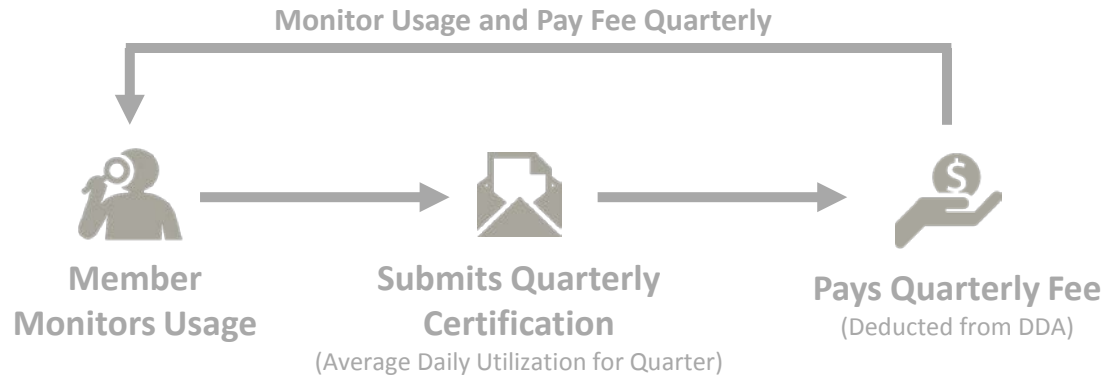
Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year

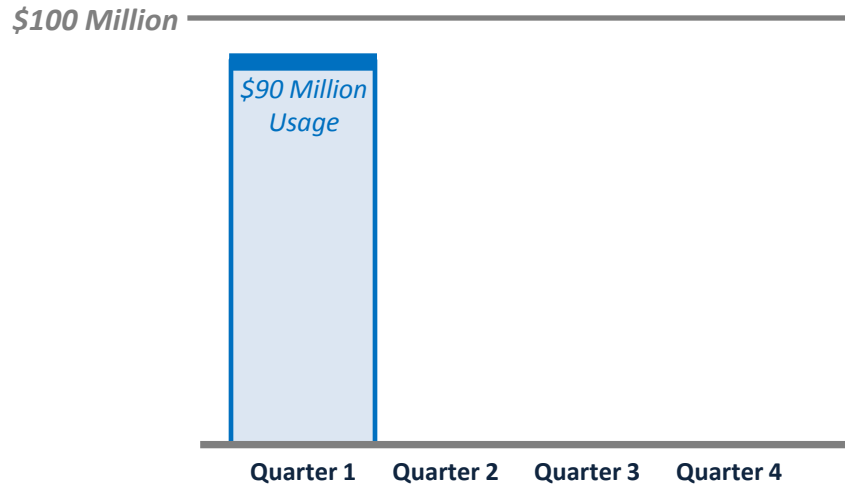


Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year



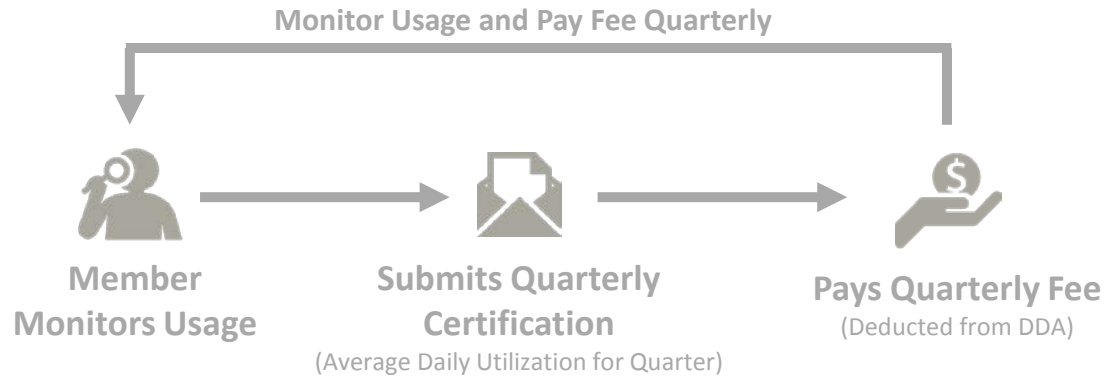
Fluctuating LOC Balance / Usage
(Basis for Quarterly Fee at 5.5 bps)



Cumulative Fee Q1:

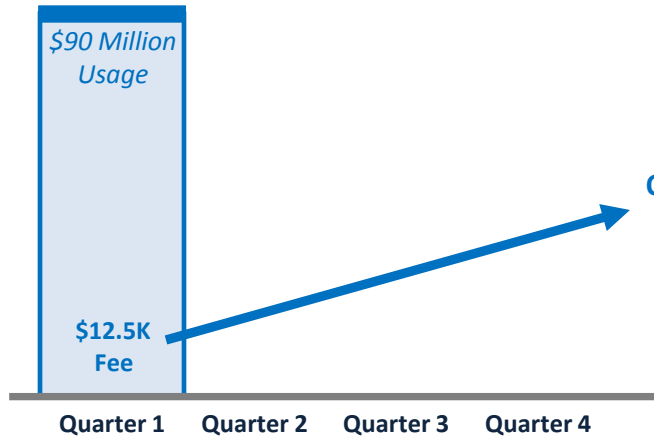
Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year



Fluctuating LOC Balance / Usage
(Basis for Quarterly Fee at 5.5 bps)

\$100 Million



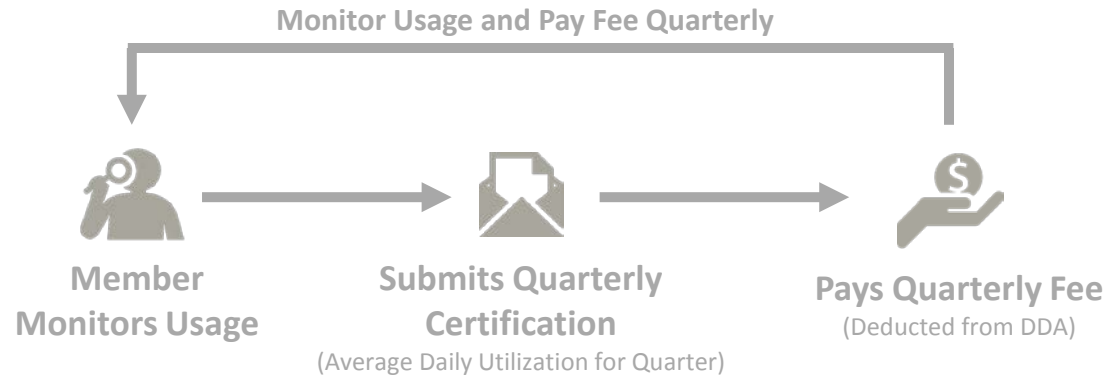
Quarterly Utilization Fee Calculation

$$\text{Quarterly Fee} = \frac{\text{Average Daily Utilization Balance for the Quarter} \times \text{Days in the Quarter} \times \text{Fee (basis pts.)}}{365 \text{ Days}}$$

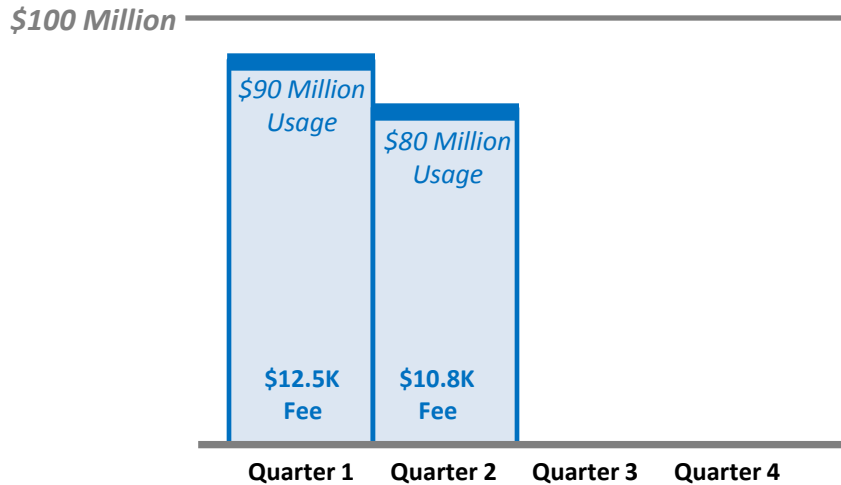
Cumulative Fee Q1: **\$12.5K**

Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year



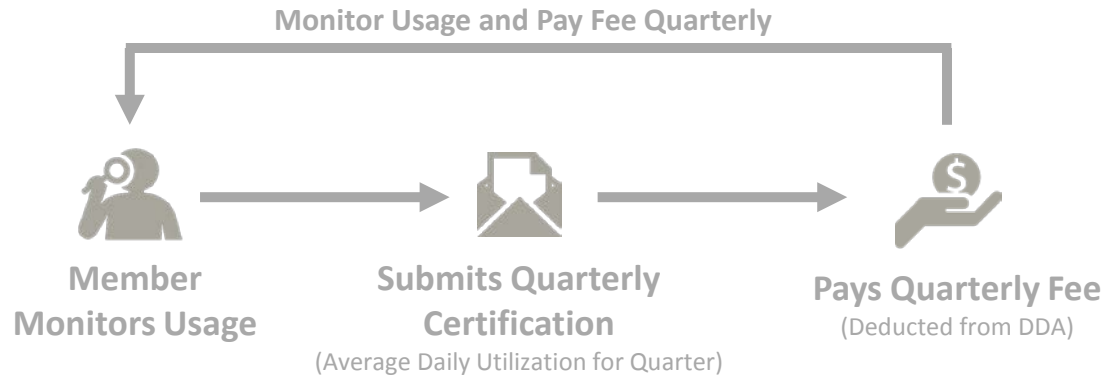
Fluctuating LOC Balance / Usage
(Basis for Quarterly Fee at 5.5 bps)



Cumulative Fee Q1-Q2: **\$23.3K**

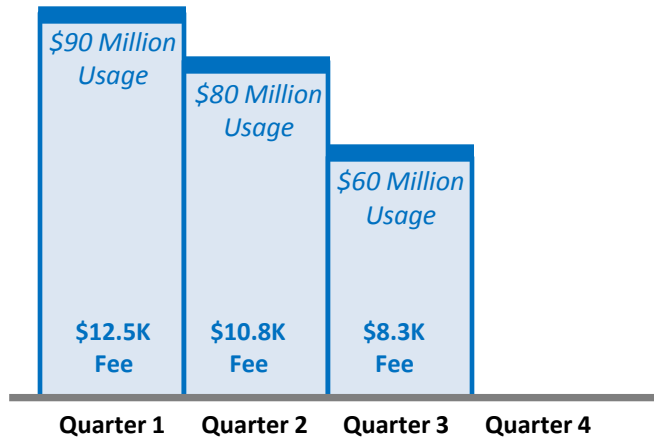
Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year



Fluctuating LOC Balance / Usage
(Basis for Quarterly Fee at 5.5 bps)

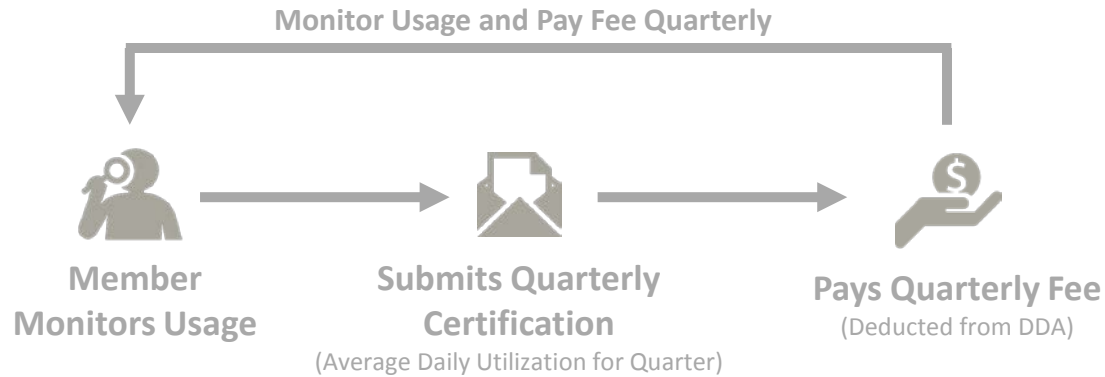
\$100 Million



Cumulative Fee Q1-Q3: **\$31.6K**

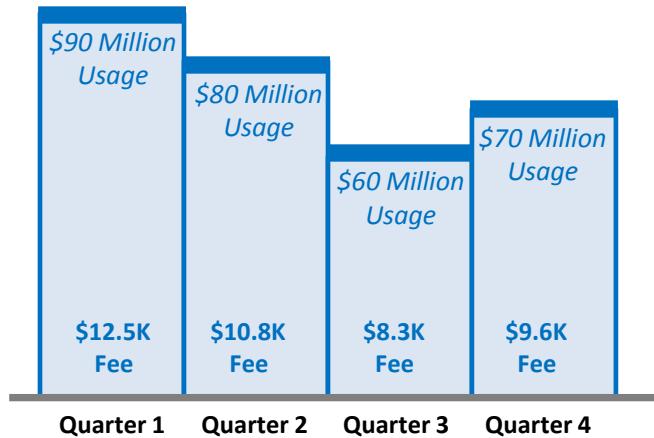
Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year



Fluctuating LOC Balance / Usage
(Basis for Quarterly Fee at 5.5 bps)

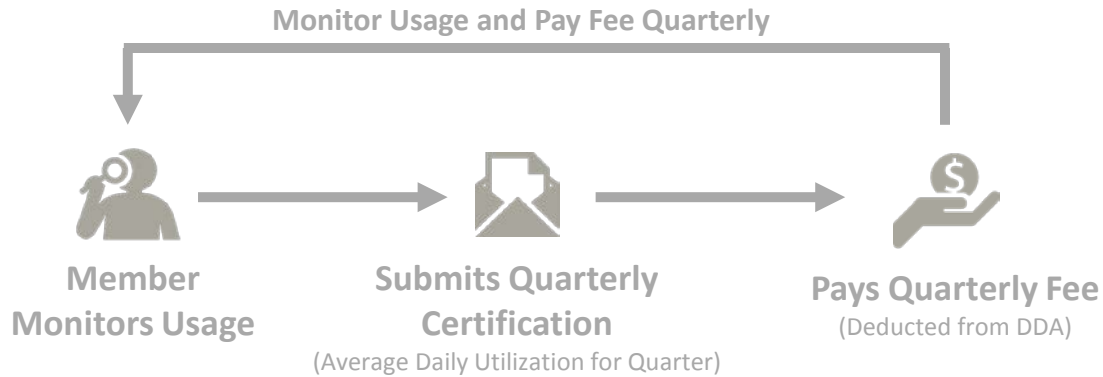
\$100 Million



Cumulative Fee Q1-Q4: **\$41.2K**

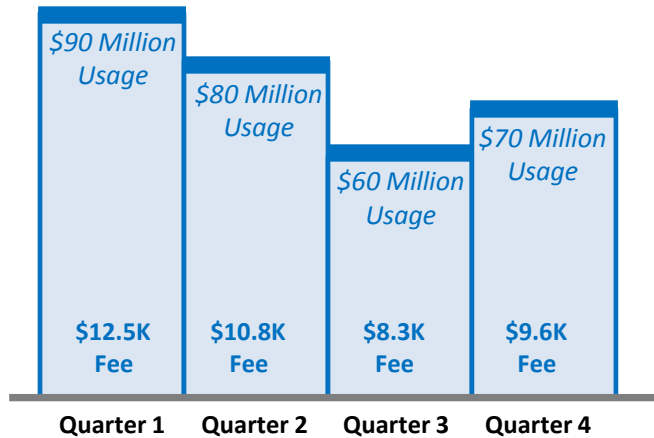
Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year



Fluctuating LOC Balance / Usage
(Basis for Quarterly Fee at 5.5 bps)

\$100 Million



Cumulative Fee Q1-Q4:

\$41.2K

Fluctuating Balance LOC
(at 5.5 bps)
\$41.2 K

Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year

Estimated Net Savings Fluctuating Balance LOC versus Traditional LOCs

Type of LOC	Rate	Total Fees (\$'s thousands)	Billing Frequency	Net Savings (\$'s thousands)
Traditional LOC	16.0 bps		Upfront Fee	
Traditional LOC	5.5 bps		Upfront Fee	
Fluctuating Balance LOC	5.5 bps	\$41.2	Quarterly Billed in Arrears Based on Usage	n/a



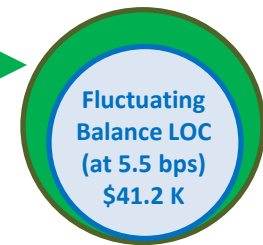
Fluctuating Balance LOC (at 5.5 bps) \$41.2 K

Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year

Estimated Net Savings Fluctuating Balance LOC versus Traditional LOCs

Type of LOC	Rate	Total Fees (\$'s thousands)	Billing Frequency	Net Savings (\$'s thousands)
Traditional LOC	16.0 bps		Upfront Fee	
Traditional LOC	5.5 bps	\$55.0	Upfront Fee	\$13.8
Fluctuating Balance LOC	5.5 bps	\$41.2	Quarterly Billed in Arrears Based on Usage	n/a

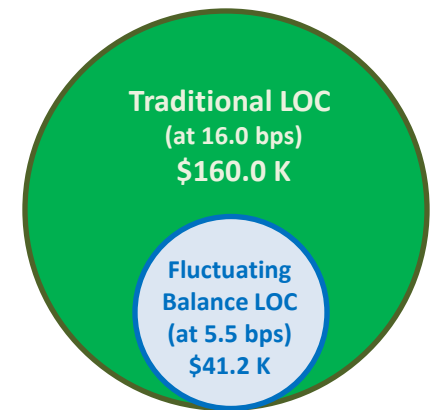


Fluctuating Balance LOCs Provide a Low-cost Alternative to Traditional LOCs

Hypothetical Example: \$100 Million Direct Standby Fluctuating Balance LOC for One Year

Estimated Net Savings Fluctuating Balance LOC versus Traditional LOCs

Type of LOC	Rate	Total Fees (\$'s thousands)	Billing Frequency	Net Savings (\$'s thousands)
Traditional LOC	16.0 bps	\$160.0	Upfront Fee	\$118.8
Traditional LOC	5.5 bps	\$55.0	Upfront Fee	\$13.8
Fluctuating Balance LOC	5.5 bps	\$41.2	Quarterly Billed in Arrears Based on Usage	n/a



Note: There may also be opportunities for decreased administrative or other costs.

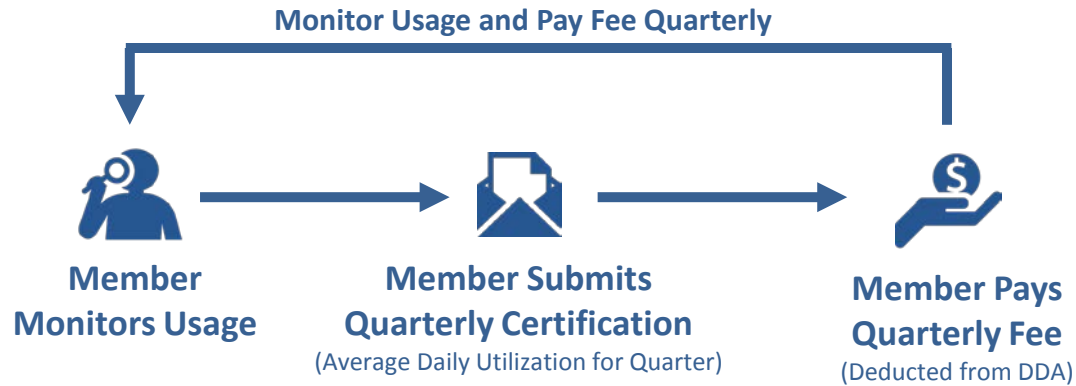
Fluctuating Balance LOCs

- Potential cost savings because fees will be charged quarterly in arrears based upon the lesser of:
 - 1) Notional amount of the LOC
 - 2) Amount of the public unit deposit(s), or
 - 3) Amount of collateral required to be held against the public unit deposits secured by the LOC

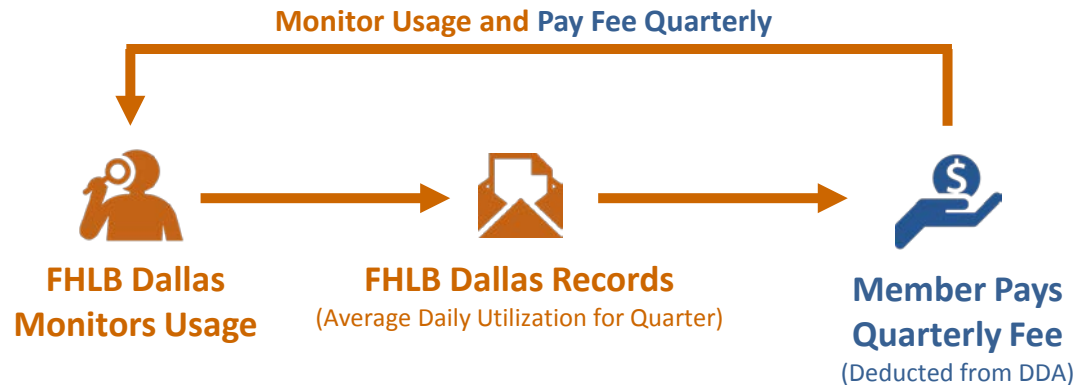
 - Option of paying only for the amount of the LOC used as collateral
-

Monitoring Usage for Fluctuating Balance LOCs

▪ Standby Direct



▪ Custodial





FHLB Dallas calculates average daily usage from Member's pledge activity for Custodial Fluctuating Balance LOC, therefore, no quarterly certification required.

Fluctuating Balance LOC Feature Summary

- Low cost alternative to traditional LOCs
- Easy and flexible method of collateralizing public unit deposits
- Transform illiquid assets into a source of liquidity

Structure	
Maturity Terms	1 Day to 15 Years
Minimum Transaction Size	\$25 Million
Billing Frequency	Quarterly, in Arrears
Basis for Billing	Quarterly Average Utilization (Quarterly Average Deposit Balances Requiring Collateralization or Average Aggregate Allocation, as Applicable)
Availability and Pricing	Contact Member Sales at 800.442.9841

Questions?

- Facilitated by Gustavo Molina, Chief Banking Operations Officer
 - Representatives from FHLB Dallas Operations, Sales, Legal, etc.
 - For specific questions concerning acceptance of FHLB Dallas LOCs by specific Public Unit Depositors, please contact:
Member Sales  800.442.9841  lend@fhlb.com
-

Questions?

To Submit a Question:

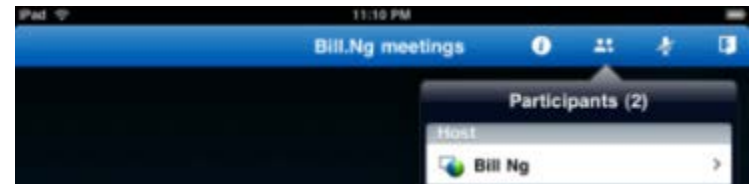
PC:

1. Hover over the green bar at the top of the screen until a menu appears
2. Click on the “Chat” option
3. Once a dialog box appears, enter your question and submit



iPad / iPhone:

1. Select the participant icon in the upper right of the screen
2. Choose “Erica Herd”
3. Type your message



For Further Information

Member Sales,

 lend@fhlb.com

 800.442.9841

Steve Otto, Director of Member Sales*

Zimri Hunt, Director of Member Solutions*

* Also accessible toll free at 800.442.9841

Thank You for Your Membership and Participation in FHLB Dallas

The recorded webinar will be available on fhlb.com.
