



FHLB Dallas New Products Presentation Date - August 2014 Last Updated - June 2016

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- I. New Product Introductions
- II. Current Product Enhancements
- III. Member Training Initiatives
 - Bulletins
 - White Papers
 - Overview of product features, benefits and uses
 - Webinars
 - On-site visits

I. Discount Note Floating Rate Advance

- Q&A

II. 40-Year CIP Advance

- Q&A

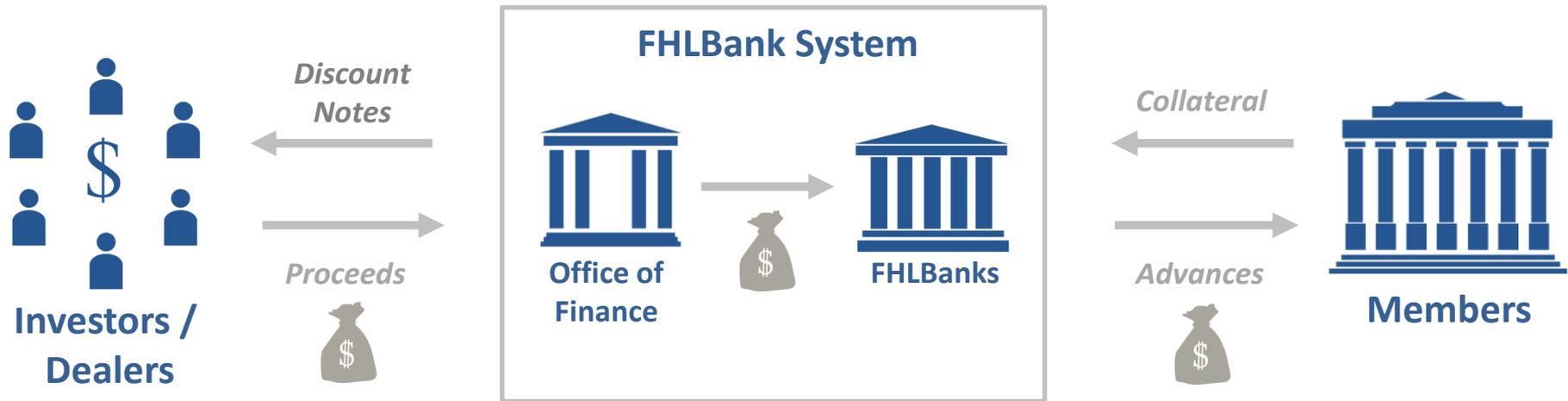
III. Letters of Credit Enhancements (Multiple Draw and Evergreen Features)

- Q&A

- I. Discount Note Floating Rate Advance
- II. 40-Year CIP Advance
- III. Letters of Credit

- Fixed-term, adjustable rate, non-amortizing advance
- Could be used to increase
 - Leverage while managing interest rate sensitivity
 - Longer-term liquidity
- Provides longer-term funding at shorter-term rates
 - Maturity terms from 1 to 10 years
 - Inexpensive source of funds

What Are Discount Notes?



- Low cost, short-term funding for the FHLBanks
- FHLBanks Office of Finance
 - Issues FHLBank debt
 - Auctions discount notes twice a week, on Tuesdays and Thursdays
 - Publishes Discount Notes auction results on www.fhlb-of.com
- Have the highest ratings from Moody's and S&P (P-1/A-1+)
- Rates are very competitive and typically lower than comparable short-term LIBOR rates.

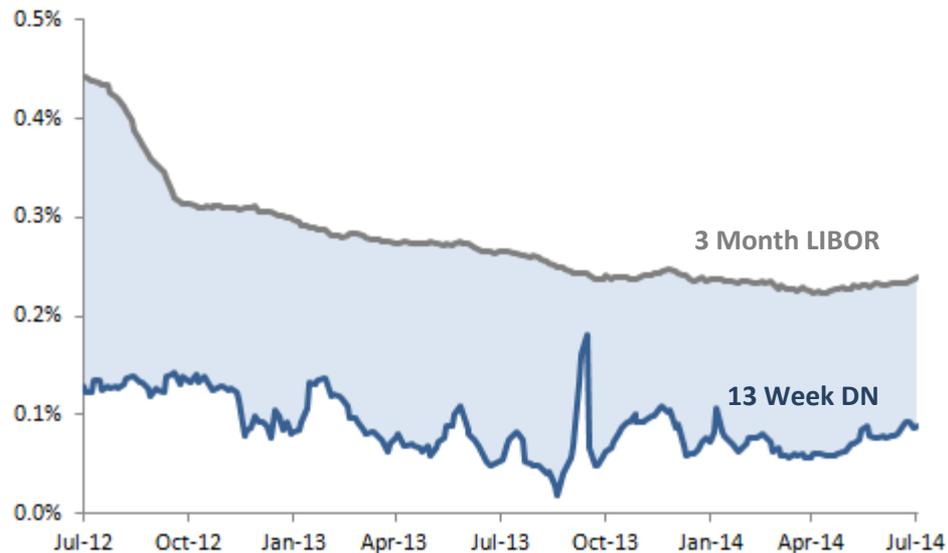
Rates Comparison: Discount Notes Via Auction Versus LIBOR

Discount Notes (DNs) via Auctions versus Comparable LIBOR Rates / Spreads since 2000 (under) / over

Discount Notes (DNs) vs. LIBOR Spreads		
Range	Median	Average
(6 bps) to (296 bps)	(17 bps)	(25 bps)

Thirteen Week DNs less Three Month LIBOR

Discount Notes (DNs) via Auctions versus Comparable LIBOR Rates / Spreads over Last Two Years



- FHLBank Office of Finance publishes results of Discount Notes issued at auction on its website www.fhlb-of.com
- Price of Discount Note Rate Advance = Money Market Yield (MMY) + small spread

The screenshot shows the FHLBANKS Office of Finance website. The main content area is titled "Discount Note Auction Results" and displays the following information:

Discount Note Auction Results

The information provided on this screen is subject to the disclaimer on our home page. This information does not constitute an offer to sell or a solicitation of an offer to buy any security, except to certain dealers subject to the terms of written agreements with those dealers. The Office of Finance procedures.

Auction Date: 08/20/15

Structure	CUSIP	Stop	MMY	Pct Accepted	Cover	Amc
4 Week	313384LW7	0.063	0.063	15.000	3.408	
8 Week	313384NA3	0.159	0.159	30.498	5.661	
13 Week	313384PM5	0.189	0.189	45.000	3.750	
26 Week	313384TG4	0.290	0.290	93.333	6.750	

For more information, call 703-467-3648

Stop = highest all-in discount rate accepted
MMY = money market yield
Pct Accepted = percent of dealer bid at stop accepted
Cover = total par amount bid/issue size

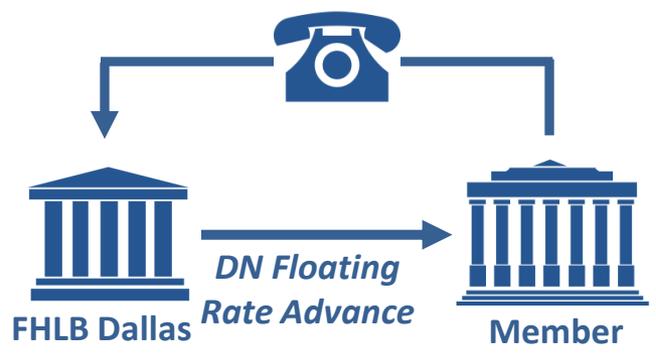
Discount Note Floating Rate Advance Structures

	4 Week	8 Week	13 Week	26 Week
Rate Resets	Every 4 Weeks	Every 8 Weeks	Every 13 Weeks	Every 26 Weeks
Maturity Terms	1 year		1 to 10 years	
Current Pricing (Based on Maturity)	View rates page on <i>fhlb.com</i>			
Minimum Initial Transaction Size	None			
Settlement	One day following the origination			
Availability	Contact Member Services at 1.844.FHL.BANK by 9:30 a.m. CT, Tuesdays and Thursdays*			
Prepayments without Fee	Full or partial prepay on each reset day with at least 2 business days' advance notice			

* If a holiday falls on a Tuesday or Thursday, FHLBanks Office of Finance discount note auctions are typically held on the preceding business day in which funding requests will be accepted. Also, if an auction does not occur or discount notes are not issued on any given determination date, the auction rate for that date will be the estimated rate at which the Bank could have issued such discount notes as calculated by the Bank in its sole discretion.

Discount Note Floating Rate Advance Example

Example of a Discount Note (DN) Floating Rate Advance in an Increasing Rate Environment



Contact Member Services (1.844.FHL.BANK) before 9:30 a.m. CT Tuesdays and Thursdays* (Not available on SecureConnect)



Available Structures

- 4 Week
- 8 Week
- 13 Week
- 26 Week

Origination Date (Day +0)	Settlement Date (Day +1)
 Agree to Advance	 Receive Proceeds
 Determine Rate	 Apply Rate

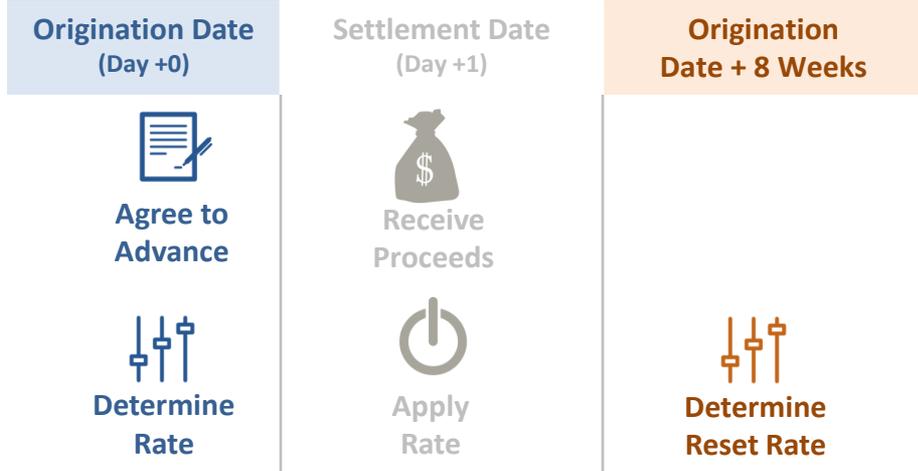
* Unless a holiday falls on a Tuesday or Thursday.

Discount Note Floating Rate Advance Example

Example of a Discount Note (DN) Floating Rate Advance in an Increasing Rate Environment



Rate Resets +8 Weeks



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Rate Resets +8 Weeks

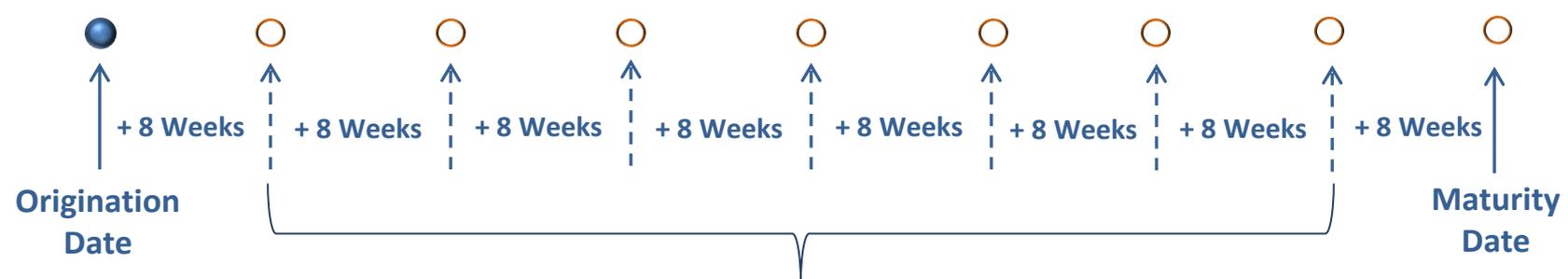
Origination Date (Day +0)	Settlement Date (Day +1)	Origination Date + 8 Weeks	Settlement Date + 8 Weeks
 Agree to Advance	 Receive Proceeds		
 Determine Rate	 Apply Rate	 Determine Reset Rate	 Apply Reset Rate

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- 26 Week

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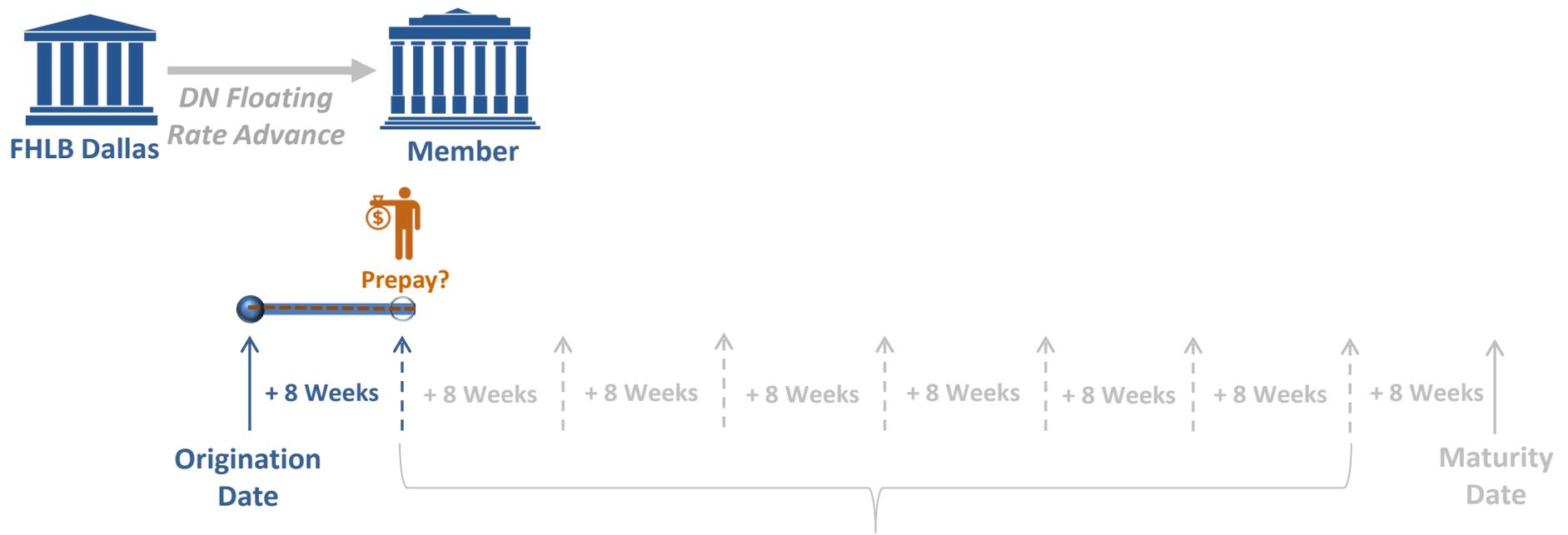
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Rate Reset Dates

- Rate resets based on appropriate **Discount Note Auctions**
- Frequency of reset established at origination (every 4, 8, 13, 26 weeks)
- Reset dates provide ability to prepay full or partial amounts without fee

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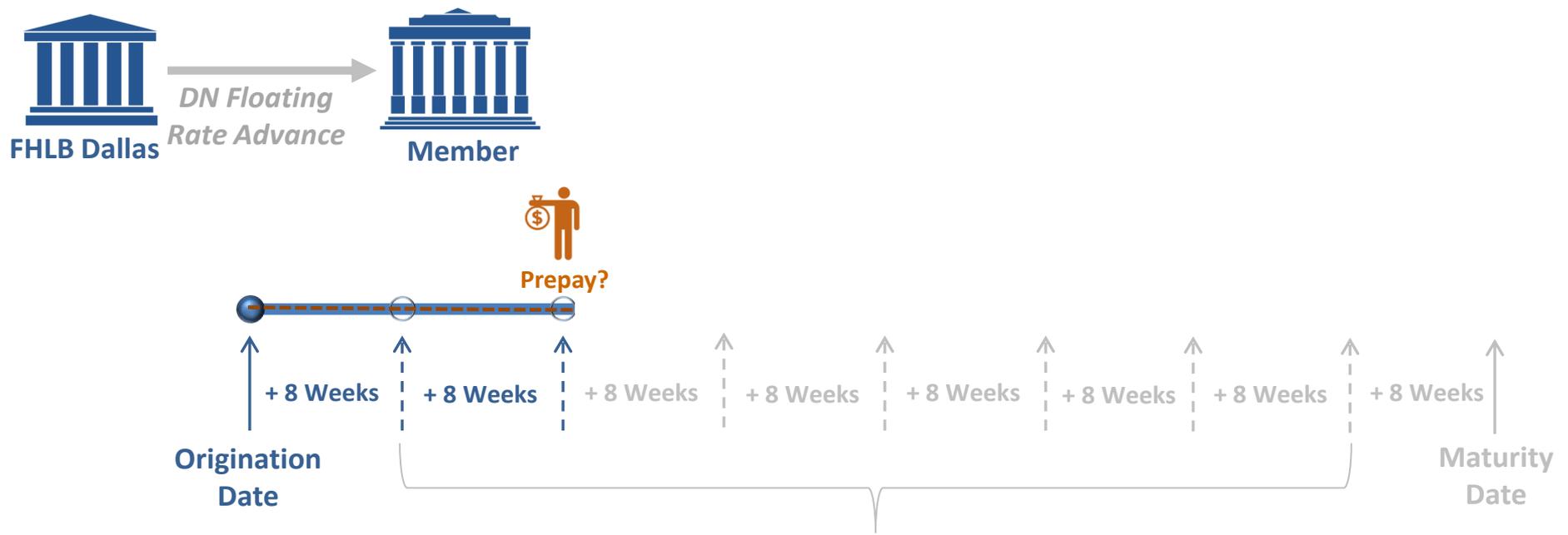
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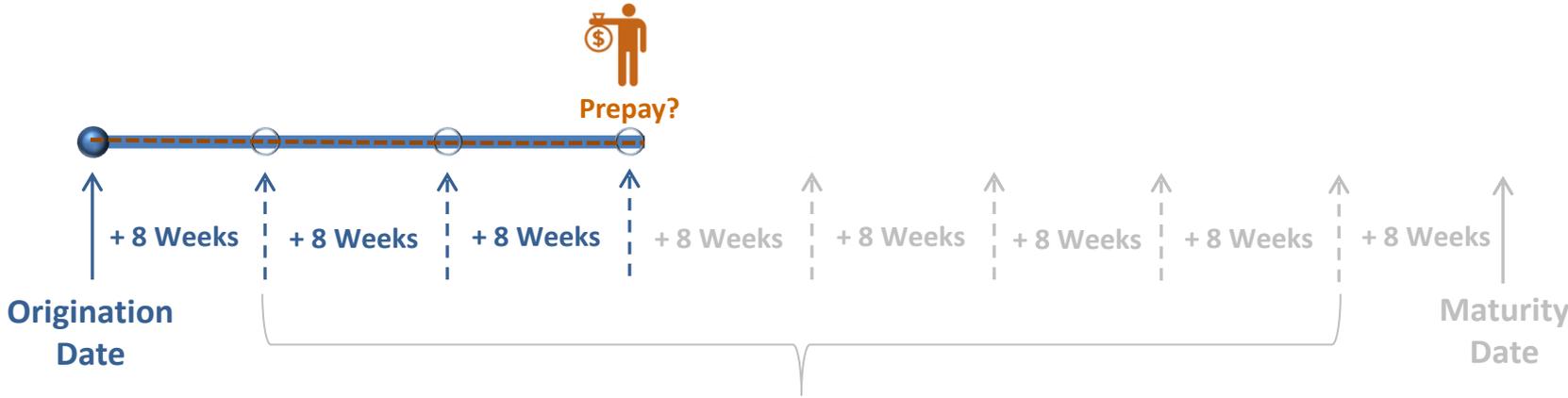
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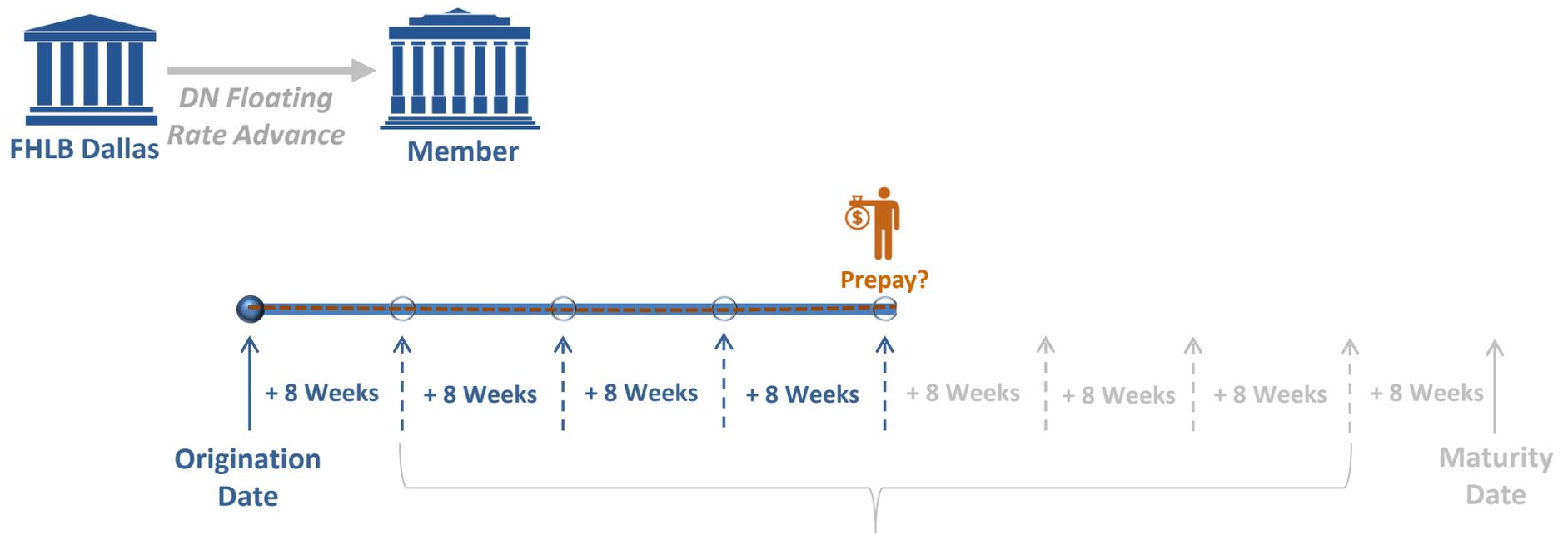
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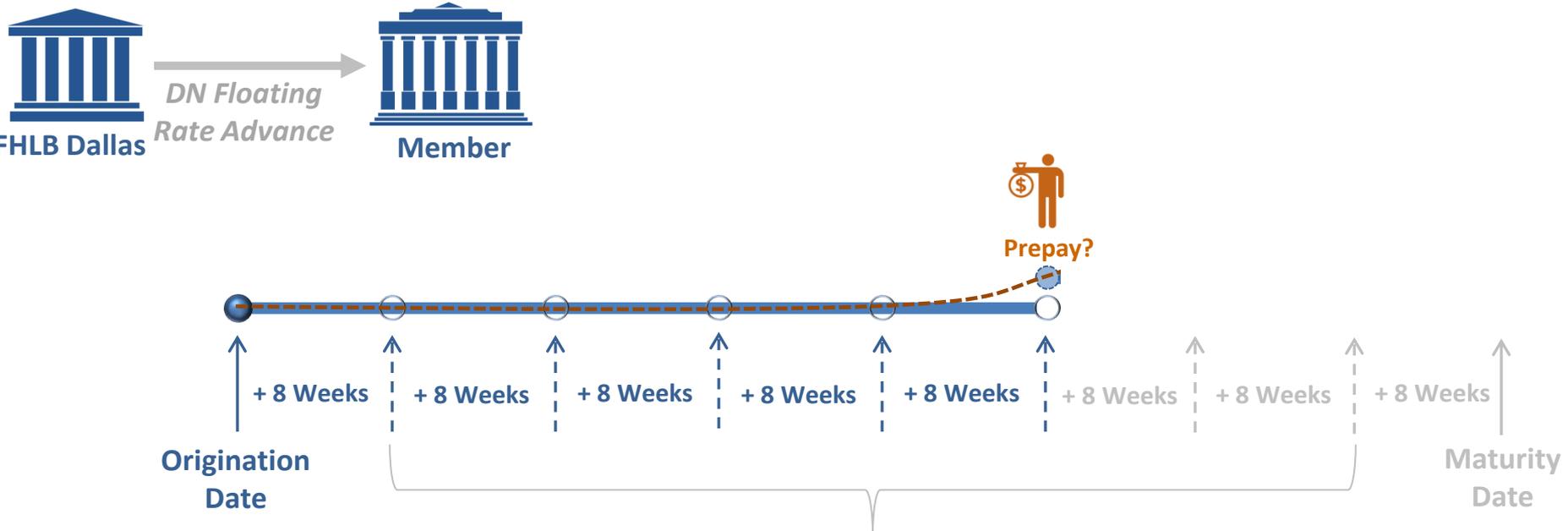
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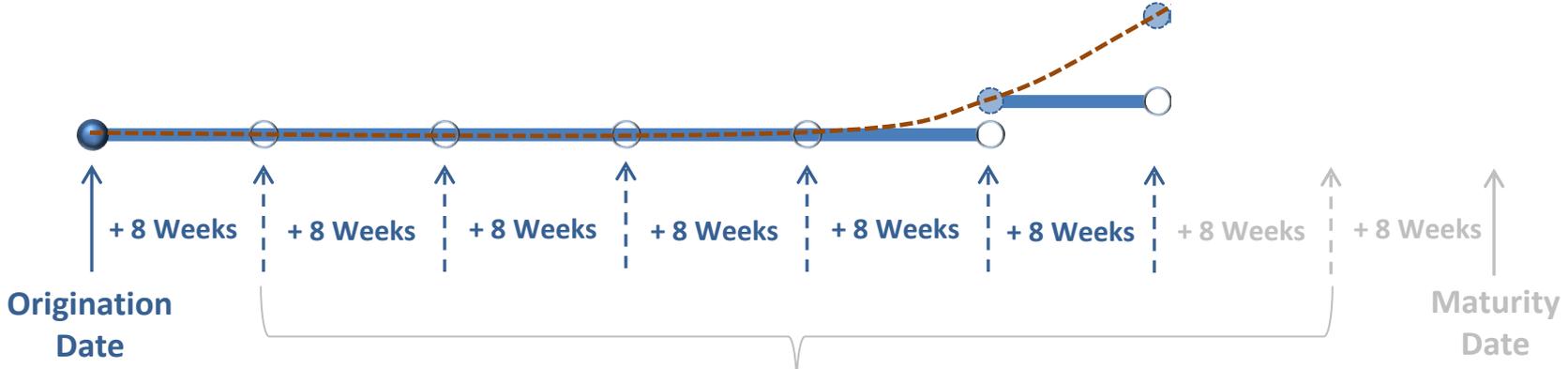


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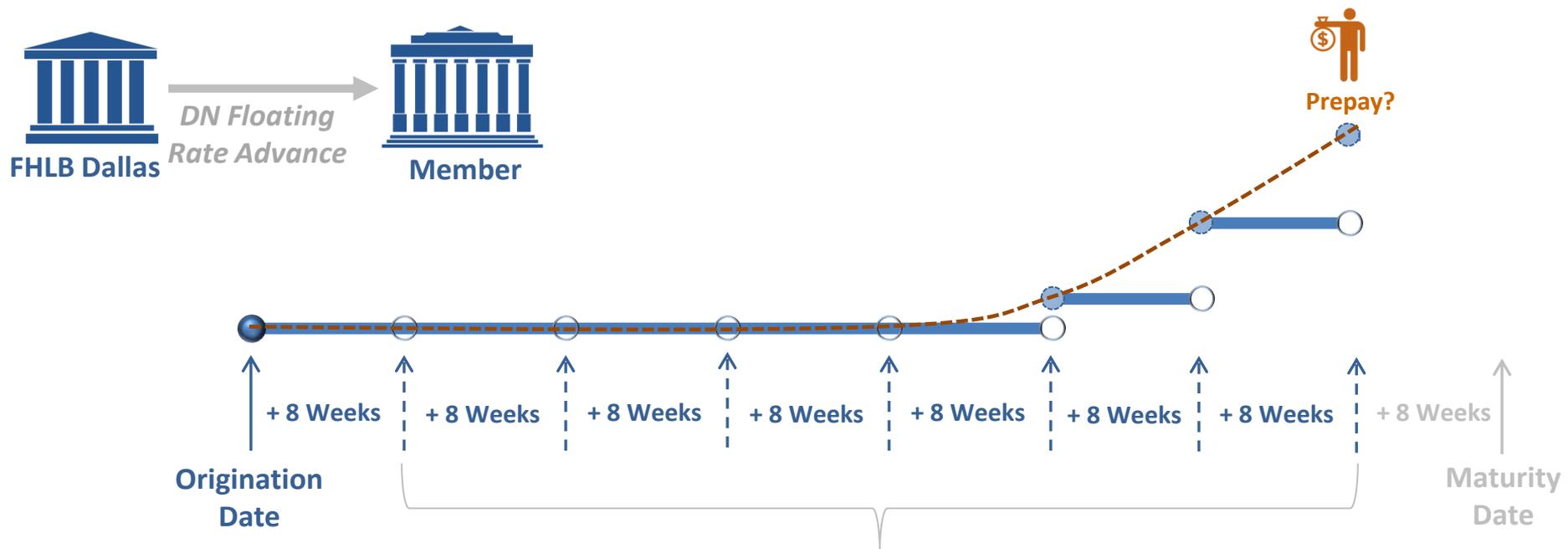
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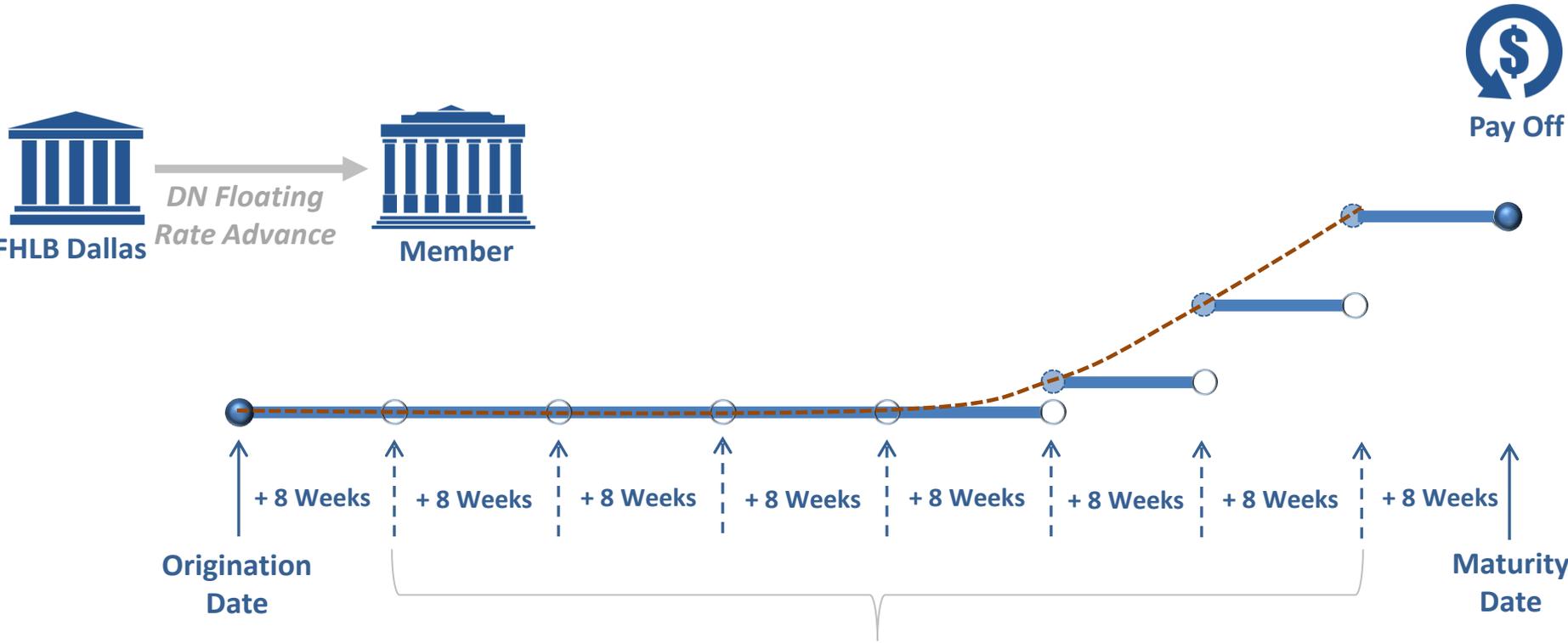


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Hypothetical Match Funding Investments With Discount Notes

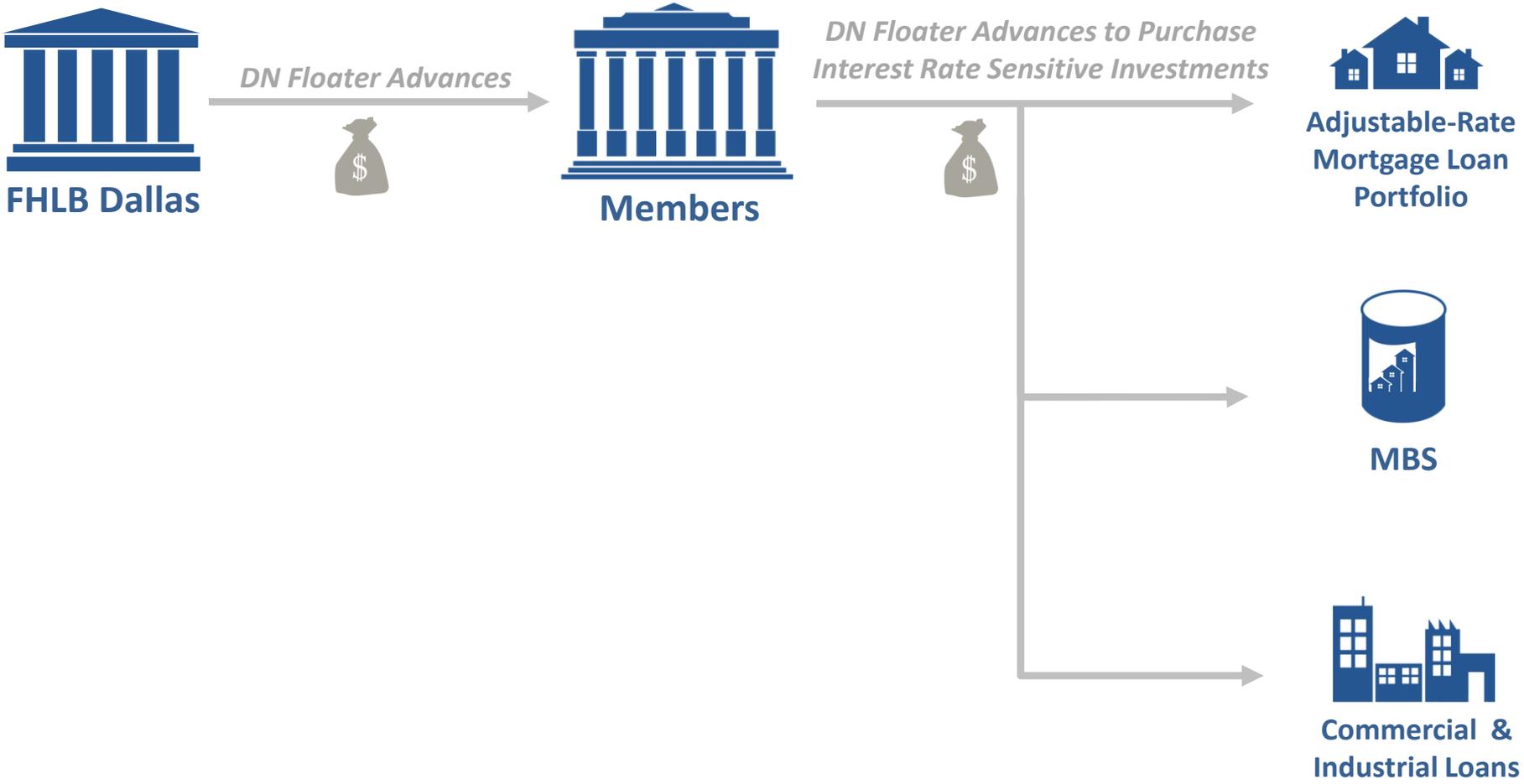
Match fund investments with Discount Note Floating Rate advances assuming similar maturities and re-pricing characteristics.

Sample of Two Highly Correlated Rates Used To Match Fund an Investment



Potential Uses For a Discount Note Floating Rate Advance

Potential to increase leverage while managing interest rate sensitivity



Potential Uses For a Discount Note Floating Rate Advance

Example of how a Bank could satisfy liquidity requirements through an FHLBank Discount Note Floating Rate Advance.



Questions?

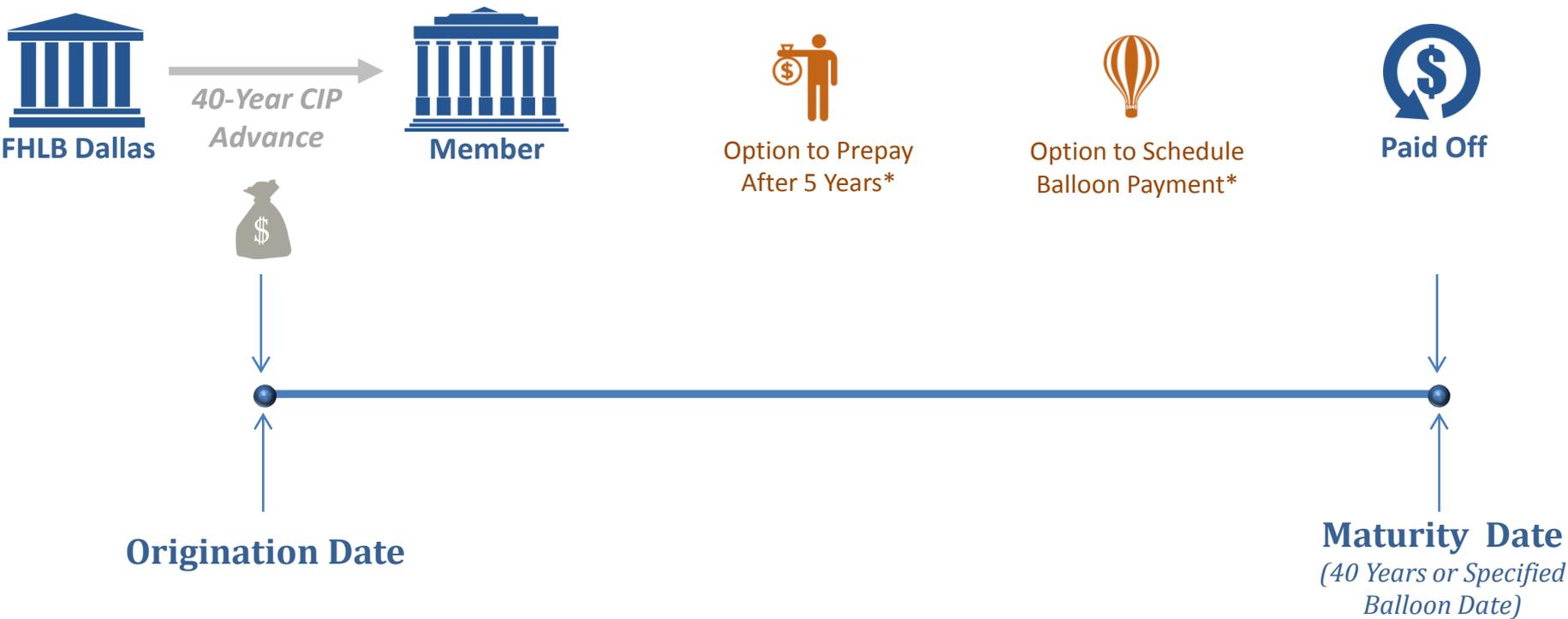
- I. Discount Note Floating Rate Advance
- II. 40-Year CIP Advance**
- III. Letters of Credit

- Low-cost, fixed-term, amortizing advance
- Provides ability to match fund community development loans with a 40-year amortization or loan term
- Provides ability to purchase an option at origination to prepay the advance without fee anytime after five years
- Provides ability to schedule a balloon payment
- The 40-year amortization period is designed to provide your customers with lower monthly payments when compared to a comparable 30-year period.



40-Year Community Investment Program (CIP) Advance

Example of a 40-Year CIP Advance



*Options at Origination:



Member could purchase an option to prepay after 5 years without fee.

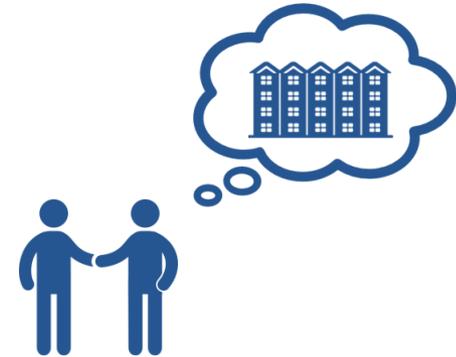


Member could schedule a balloon payment.



Member Benefits (40-Year CIP Advance)

- Low-cost source of funds
- Ability to match fund, thereby reducing interest rate risk
- Generate new business and loan growth
- Support community investment goals / CRA requirements
- Build relationships with affordable housing developers, community representatives, and government agencies



Benefits to Member's Customer (Comparable 40-Year Match Funded Loan)

- Low-cost source of funds
- Lower monthly payments compared to comparable 30-year amortizing loan
- Increased ability to qualify for a community development loan
- Potential for lower down payment
- Increased project cash flow

Hypothetical Comparison of a 40-year Amortization versus 30-year Amortization:

- \$5 Million Loan
- 4.9% Rate (3.4% Member Rate + 1.5% Mark-up¹)
- 15-year Balloon
- Estimated Annual Net Operating Income of \$350,000
- Debt Service Coverage (DSC) Ratio of 1.15 Required



	Monthly Payments ²	DSC Ratio ³	Loan Eligibility / Qualification
40-year Comm. Dev. Loan	\$23.8	1.23	Yes <input checked="" type="checkbox"/>
30-year Comm. Dev. Loan	\$26.5	1.10	No <input type="checkbox"/>
Difference	(\$2.7)	0.13	<input checked="" type="checkbox"/> versus <input type="checkbox"/>

¹ Rate mark-up on rental property limited to 150 basis points

² Monthly Payments in thousands \$'s

³ Debt Service Coverage Ratio = Net Operating Income / Total Debt Service

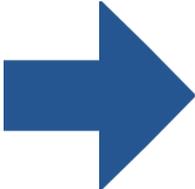
What Could be Funded by a 40-Year CIP Advance?



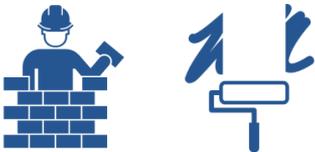
Purchase / Refinance



Construction
(Permanent Financing)



Multifamily Rental



Rehabilitation

To Qualify for a CIP Advance: At least 51% of all tenants of multifamily properties must have household incomes at or below 115% of the area median income.

CIP advances may also be used for the following:

- Provide financing to participate in lender consortia for eligible housing projects
- Purchase low-income housing tax credits
- Make loans to entities that, in turn, make loans for eligible housing projects
- CIP advances can also be used in conjunction with the Affordable Housing Program, U.S. Department of Housing and Urban Development and Federal Housing Administration program, as well as state and local governments and secondary market agency programs

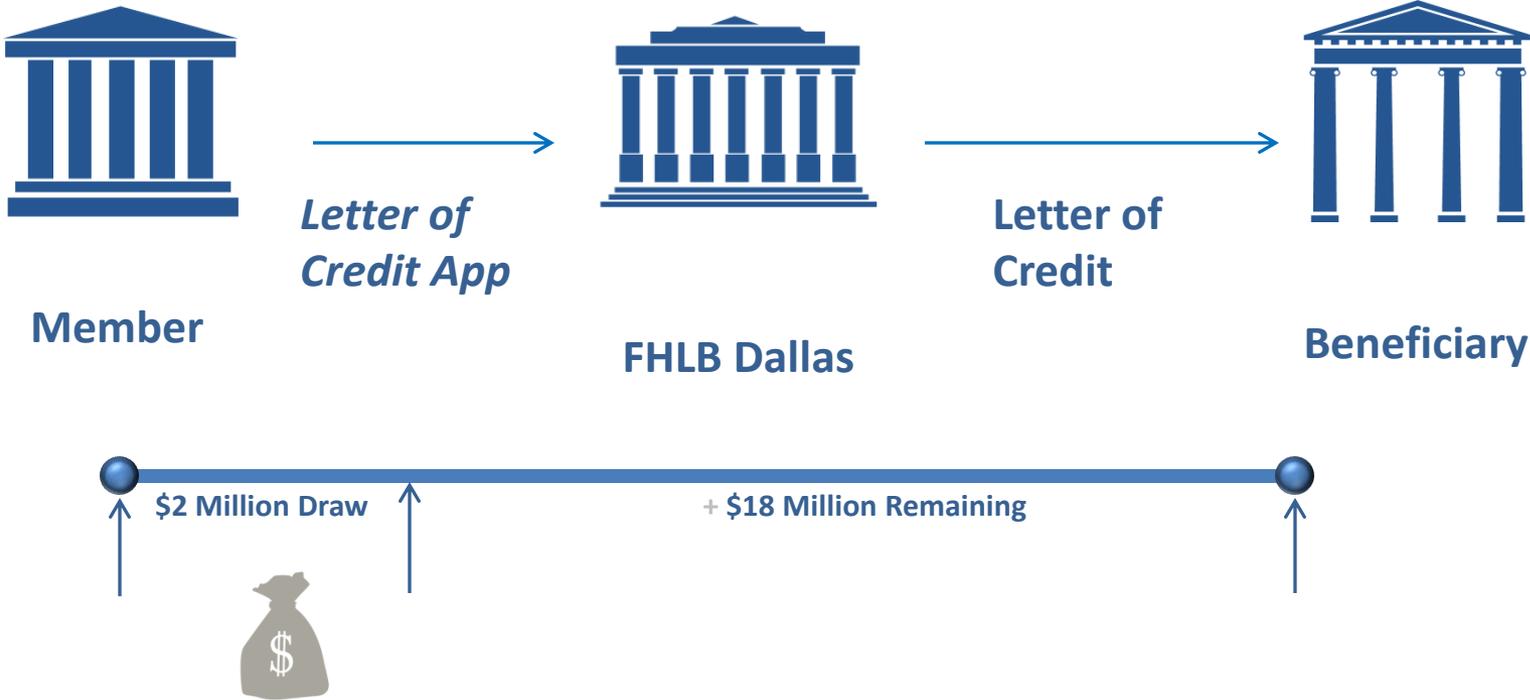
Questions?

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- Available with Letter of Credit Confirmations and Direct Standby Letters of Credit
- Member determines the Letter of Credit should include a multiple draw feature at the time of application

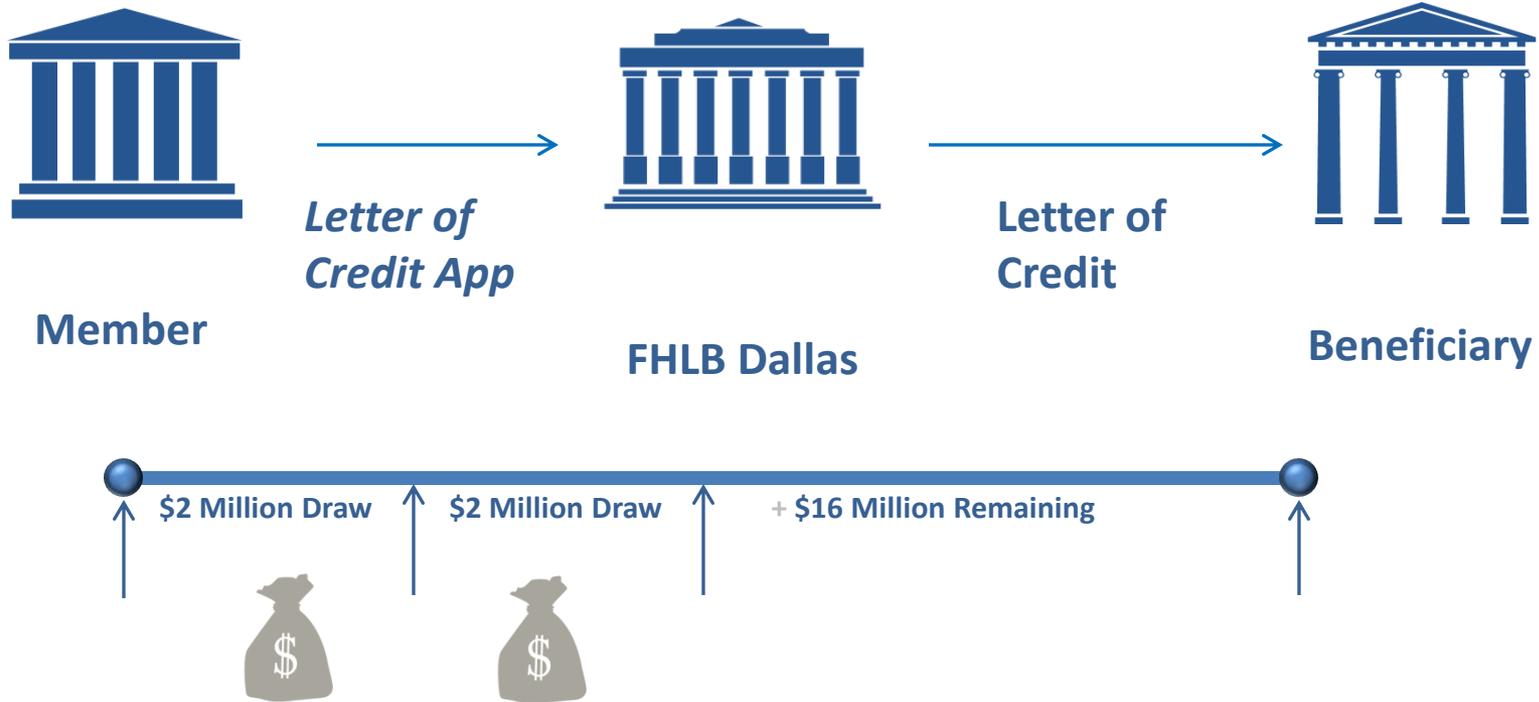
Letter of Credit – Multiple Draw Feature

Example of how a \$20 million Multiple Draw Letter of Credit is drawn.



Letter of Credit – Multiple Draw Feature

Example of how an original \$20 million Multiple Draw Letter of Credit is drawn when \$18 million remains.

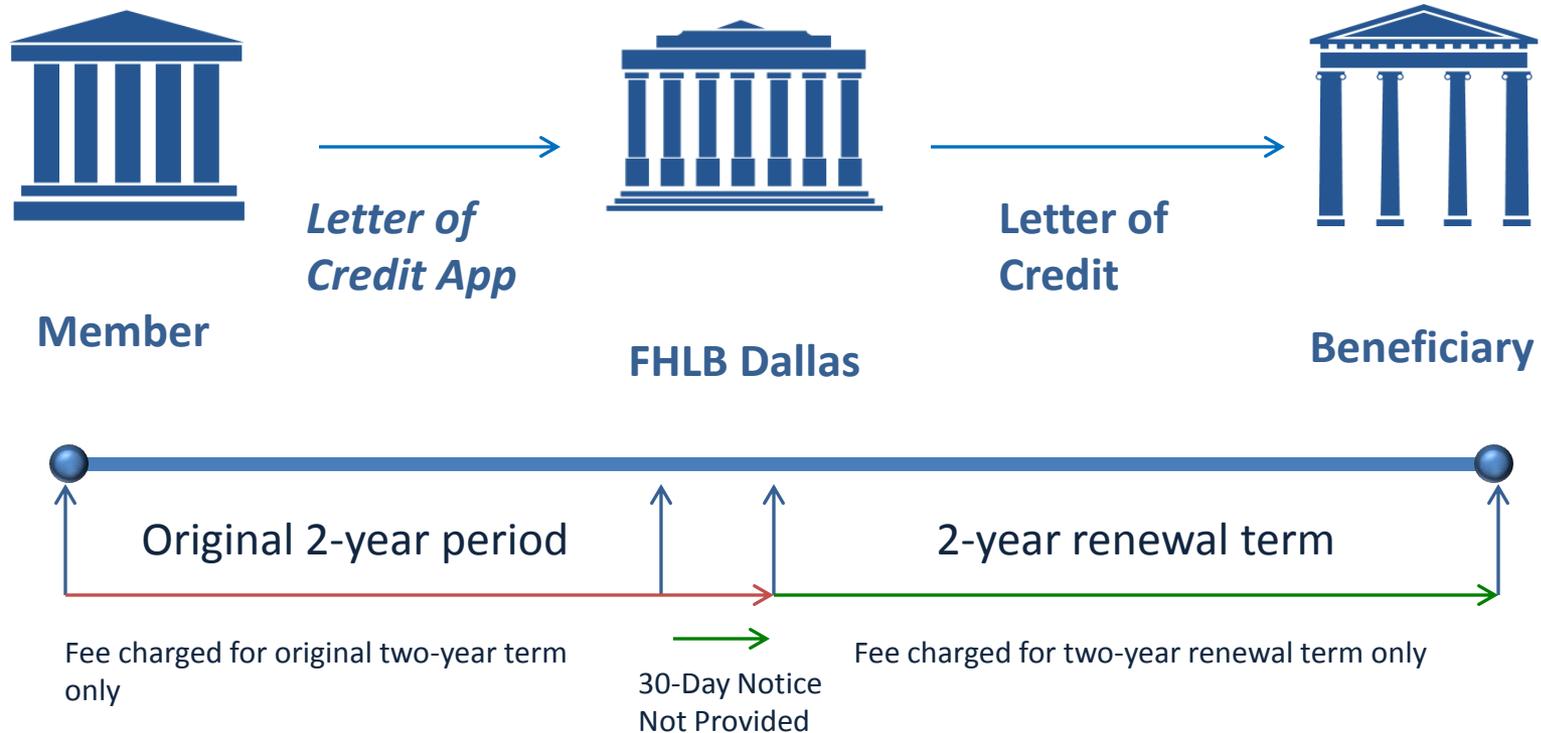


Draws may continue to occur until the earlier of the maturity date or the date on which the original \$20 million has been drawn.

- Available with Letter of Credit Confirmations and Direct Standby Letters of Credit
- Member determines the following Items at the time of application:
 - Final Maturity
 - Up to 15 years
 - Initial Term
 - 1 to 14 years
 - Renewal Period
 - 1 to 14 years
 - Notice Period For Non-Renewal
 - 30 Days
 - 60 Days
 - 90 Days

Letter of Credit – Evergreen Feature

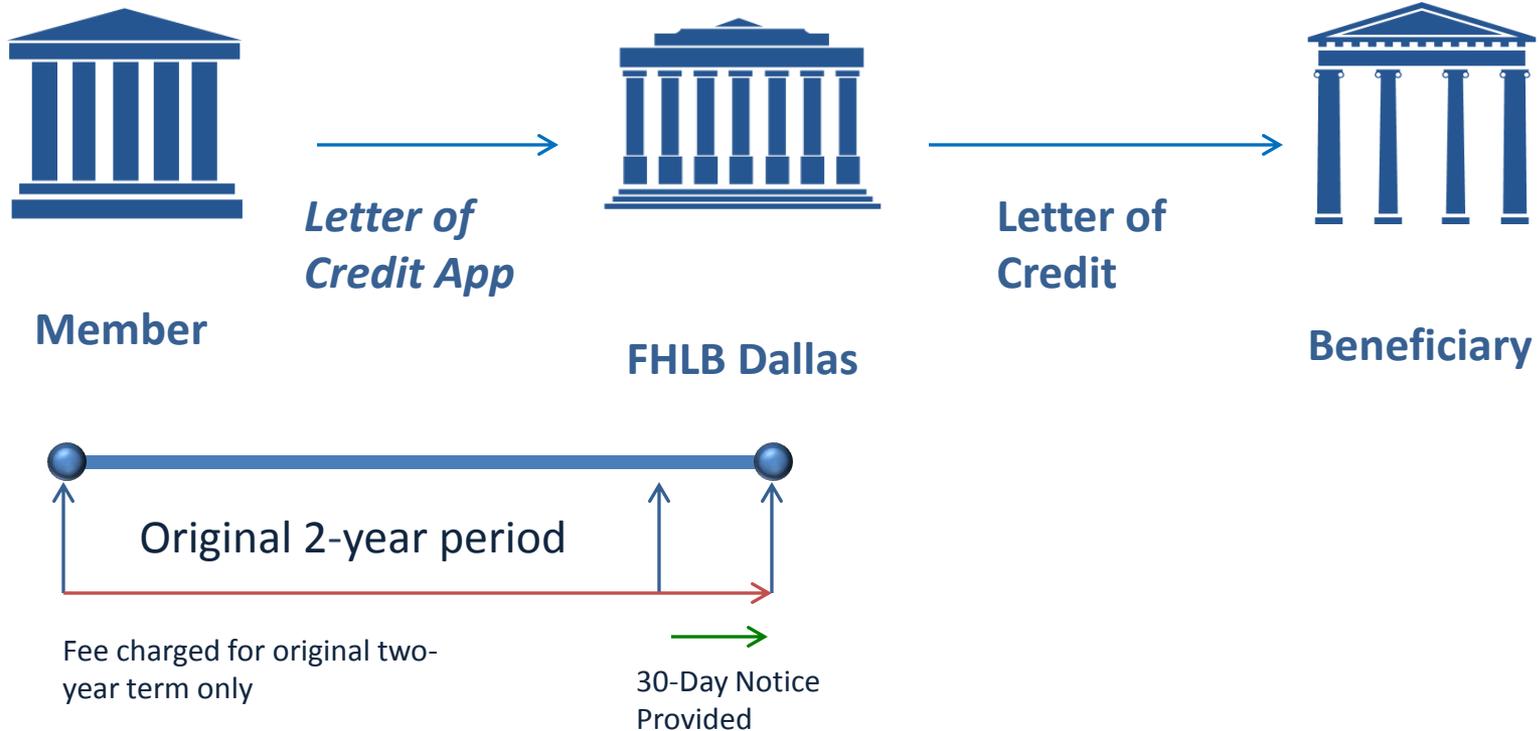
Example of how a 4-year Evergreen Letter of Credit with an initial term of 2 years, one 2-year renewal period and a 30-day notice period for non-renewal automatically renews.



Absent notice provided by FHLB Dallas to the beneficiary, the Letter of Credit automatically renews through the final term.

Letter of Credit – Evergreen Feature

Example of how a 4-year Evergreen Letter of Credit with an initial term of 2 years, one 2-year renewal period and a 30-day notice period for non-renewal does not renew.



Member requests FHLB Dallas not renew the Letter of Credit prior to the non-renewal period. At its option, FHLB Dallas provides the beneficiary with a notice of non-renewal, thus the Letter of Credit terminates upon expiration of the original 2-year period.

Questions?

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**Thank You
for Your Membership and
Participation in FHLB Dallas**