



Member driven.  
Community focused.

# LOAN COLLATERAL ELIGIBILITY REQUIREMENTS

Federal Home Loan Bank of Dallas

*Effective Date: August 27, 2024*

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## Definition of Terms

The defined terms below are specific to this document. For all other terms, please refer to the Member Products and Credit Policy (MPCP) available at [fhlb.com](http://fhlb.com).

### **Average Prime Offer Rate (APOR)**

A survey-based estimate of annual percentage rates (APRs) currently offered on prime mortgage loans. The rates are published for fixed-rate mortgages (FRM) and adjustable-rate mortgages (ARM) and are available for yearly maturities ranging from one year to 50 years. APOR is calculated and published weekly by Federal Financial Institutions Examination Council.

### **Annual Percentage Rate (APR)**

The annual percentage rate charged for borrowing or earned through an investment and is expressed as a percentage that represents the actual yearly cost of funds over the term of the loan.

### **ASTM International (ASTM)**

Formerly known as American Society for Testing and Materials, is an international standards organization that develops and publishes voluntary consensus technical standards for a wide range of materials, products, systems, and services, including environmental site assessments.

### **Authorized Signatory**

An individual authorized to act on behalf of another. This individual is vested (explicitly, implicitly or through conduct) with the powers to commit the authorizing organization to a binding agreement.

### **Bulletins**

Member notifications issued by FHLB Dallas about new or updated products and services, as well as pertinent news and information.

### **Comprehensive Environmental Response Compensation and Liability Act (CERCLA)**

This Act provides a Federal superfund to clean up uncontrolled or abandoned hazardous waste sites, as well as accidents, spills, and other emergency releases of pollutants and contaminants into the environment.

### **Consumer Finance Protection Bureau (CFPB)**

An agency of the United States government responsible for consumer protection in the financial sector.

### **Current or Combined Loan-to-Value (CLTV)**

The ratio of the current or combined principal loan balance to the appraised value.

### **Dodd-Frank Act**

The Dodd-Frank Wall Street Reform and Consumer Protection Act is a massive piece of financial reform legislation passed in 2010 in response to the financial crisis of 2008.

### **Debt-to-Income Ratio (DTI)**

Calculated as a ratio of borrower's total monthly debt service to gross monthly income.

### **Electronic Note (eNote)**

A promissory note created, signed and stored electronically rather than by a traditional paper document signed with a wet-ink signature.

### **Environmental Protection Agency (EPA)**

An independent federal agency that sets and enforces rules and standards that protect the environment and control pollution.

**Electronic Signatures in Global and National Commerce Act (E-SIGN)**

The Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001, et seq., (E-Sign Act), signed into law June 30, 2000, allows the use of electronic records to satisfy any statute, regulation, or rule of law requiring that such information be provided in writing, if the consumer has affirmatively consented to such use and has not withdrawn such consent.

**Federal Financial Institutions Examination Council (FFIEC)**

A formal interagency body that is responsible for developing uniform reporting systems that include principles, standards and report forms for financial institutions, their holding companies, and the nonfinancial institution subsidiaries of those institutions and holding companies. They facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975.

**Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)**

A United States federal law enacted in the wake of the savings and loan crisis of the 1980s.

**Home Equity Line of Credit (HELOC)**

Revolving, open-end loans secured by 1- to 4-family residential properties and extended under lines of credit. These may be secured by a first or junior lien on the property.

**Higher-Risk Mortgages**

Mortgages with an annual percentage rate that exceeds the APOR by a specified percentage. HOEPA requires creditors issuing higher risk mortgages to obtain an appraisal or appraisals meeting certain specified standards, provide applicants with a notification regarding the use of the appraisals, and give applicants a copy of the written appraisals used.

**Home Ownership and Equity Protection Act (HOEPA)**

The Home Ownership and Equity Protection Act was enacted in 1994 as an amendment to the Truth in Lending Act (TILA). The legislation was created to address abusive practices in refinances and closed-end home equity loans with high interest rates or high fees.

**Interagency Guidance for Sub-prime and Non-traditional Lending**

Guidance issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration (the agencies) on Sub-prime and Nontraditional Mortgage Product Risks. The guidance discusses how institutions can offer nontraditional mortgage products in a safe and sound manner and in a way that clearly discloses the benefits and risks to borrowers.

**Licensed Site Remediation Professional (LSRP)**

A private-sector environmental professional that is licensed by the State and hired by responsible parties to direct and oversee environmental investigations and remedial actions in accordance with applicable rules and regulations.

**Loan-to-Value (LTV)**

The ratio of the original principal loan balance to the appraised value.

**MERS – Mortgage Electronic Registration System**

A national electronic database that tracks changes in mortgage servicing and beneficial ownership interests in residential mortgage loans.

**NFIP - National Flood Insurance Program**

A program managed by the Federal Emergency Management Agency which seeks to reduce the impact of flooding on private and public structures. It does so by providing flood insurance to property owners and by encouraging communities to adopt and enforce floodplain management.

**Natural Borrower**

An individual human being.

### **Non-Natural Borrower**

Typically, a private (i.e., business entity or non-governmental organization) or public (i.e., government) organization.

### **Property-Assessed Clean Energy (PACE)**

A financing mechanism for funding energy-efficient improvements to residential and commercial buildings. The PACE assessment is filed with the local municipality as a lien on the property.

### **Real Estate Settlement Procedures Act (RESPA)**

A law passed by the United States Congress in 1974 that requires lenders and others involved in mortgage lending to provide borrowers with pertinent and timely disclosures regarding the nature and costs of a real estate settlement process.

### **Regulation Z (Reg Z)**

Reg Z (12 CFR Part 226) was enacted in 1969 to promote the informed use of consumer credit by requiring disclosures about its terms and cost.

### **Special Flood Hazard Area (SFHA)**

The land area covered by the floodwaters of the base flood is the Special Flood Hazard Area (SFHA) on NFIP maps. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies.

### **TILA-RESPA Integrated Disclosure Rule Implementation (TRID)**

The Dodd-Frank Act requires a combined disclosure form that consumers receive in connection with applying for and closing on a mortgage loan under the Truth-in-Lending Act (Regulation Z) and the Real Estate Settlement Procedures Act (Regulation X). This disclosure is commonly referred to as TRID.

### **Truth-in-Lending Act (TILA)**

The Truth-in-Lending Act enacts Regulation Z. TILA protects borrowers against inaccurate and unfair credit billing and credit card practices. It requires lenders to provide loan cost information to borrowers.

### **Uniform Electronic Transactions Act (UETA)**

The Uniform Electronic Transactions Act establishes the legal equivalence of electronic records and signatures with paper writings and manually signed signatures, removing barriers to electronic commerce. The act states that any law that requires a physical record can be satisfied by an electronic record and that any signature requirement can be met by an electronic signature.

### **Uniform Standards of Professional Appraisal Practices (USPAP)**

The Uniform Standards of Professional Appraisal Practices (USPAP) is the generally recognized ethical and performance standards for the appraisal profession in the United States. It covers standards for all types of appraisal services including real estate, personal property, business and mass appraisal.

## **Eligible Loan Collateral Categories**

The Federal Home Loan Bank of Dallas ("FHLB Dallas") outlines all eligible collateral categories in the MPCP. For purposes of establishing eligible loan collateral categories guidelines, FHLB Dallas relies on the definitions established by the FFIEC under the Call Report Instructions for Schedule RC-C, and the NCUA under the 5300 Call Report Instructions. Call Report line numbers, RCON categories and NCUA labels are subject to regulatory change at any time.

For purposes of pledging loan collateral to FHLB Dallas, this document refers to the following eligible loan collateral categories:

- Single Family Loans

- Multifamily Loans
- Commercial Real Estate Loans
- 1 to 4 Family Residential Construction
- Land Loans
- Home Equity Loans
- Small Business Loans
- Small Farm Loans

The Member-retained portion(s) of loan(s) with a participation sold will be considered eligible.

**Eligibility Requirements for All Collateral Types** Unless specified below, copies or digital images of original documentation are acceptable.

- a. **All renewals/extensions/modifications** of the original promissory note must be provided.
  - For those renewal/modification documents which are signed electronically, the following requirements must be met:
    - Borrower must consent to using an electronic signature to execute the modification.
    - Digitally signed renewals/modifications must include a clause similar to the following: "Delivery of a signature page to, or an executed counterpart of, this document by electronic means, shall be effective as delivery of an originally executed counterpart."
    - Modifications executed by biometric means (such as fingerprints, voice, facial, or retinal recognition) or by audio or video recording are not accepted.
- b. **Proof of lien position**, as specified in each individual collateral type section
- c. **Lien perfection**, as specified in each individual collateral type section
- d. **Collateral valuations**, as specified in each individual collateral type section ([12 CFR 1266.10.c.](#))

## Ineligible Collateral (Regulatory)

- a. Loans to Directors, Officers, Employees, Agents, Attorneys of the Member or of FHLB Dallas ([12 CFR 1266.7f.](#))
- b. Loans without a perfected lien interest ([12 CFR 1266.7 a.4.B.](#))
- c. Loans rated substandard, doubtful or loss ([12 CFR 1266.7 c.](#))
- d. Unsecured loans ([12 CFR 1266.7 a.4.B.](#))
- e. Loans secured by stocks and bonds ([12 CFR 1266.7c.](#))
- f. Purchased participation loans (other than HFS loans that meet the requirements outlined in the Member Products and Credit Policy) ([12 CFR 1266.7 g.](#))

## Ineligible Collateral (FHLB Dallas Policy)

- a. Loans with a Lost Note Affidavit in lieu of the original paper/electronic promissory note
- b. Electronically originated loans with an eNote not properly registered in the MERS e-Registry and stored in the FHLB Dallas eVault (applicable to Single-Family only)
- c. Loans with promissory notes bearing facsimile signatures. Certified copies are ineligible
- d. Loans pledged to a third-party, such as the Federal Reserve or another Federal Home Loan Bank
- e. Loans secured by collateral located outside the United States
- f. Loans to borrowers who do not have lawful presence in the United States
- g. Loans on nonaccrual, not reaffirmed in bankruptcy or other non-performing status
- h. Loans held offsite by a servicer or custodian without a custodial or other appropriate agreement executed with FHLB Dallas
- i. Coding errors identified in the Trial Balance using the Member's Collateral Code Definition as compared to Regulatory Reporting Guidelines
- j. Reverse mortgages
- k. Loans with a third lien (or lower inferior lien) position where Member does not hold all superior liens
- l. Any loans whose business purpose and/or collateral would be in violation of any State or Federal laws (example: Marijuana-Related Businesses), without regard to ownership or tenancy.



## Single-Family Loans (1- to 4-Family Properties)

1. Single-family loans include loans reported on call report line 1.c.2.a. (RCON5367) and (CU703A)
  - a. Fully disbursed, closed-end loans
  - b. For the specific purpose of purchasing or refinancing the 1- to 4-family residential properties
  - c. Secured by first liens on those properties
    - i. Includes mobile homes that meet the following criteria
      1. Mobile homes must be permanently affixed to real property
      2. State laws define the purchase or holding of a mobile home as the purchase or holding of real property
      3. The loan to purchase the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property
2. Single-family properties include, but are not limited to:
  - a. Duplexes
  - b. Triplexes
  - c. Four-plexes
  - d. Loans containing five or more properties are considered single-family if all of the individual properties securing the loan can be independently classified as single-family on their own

## Single-Family Loan Documentation Requirements

**Promissory Note** Original inked document or MERS e-Registry eNote required

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s) or be a valid, MERS registered eNote. Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - a. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - b. For non-natural borrowers, promissory note must be executed by a authorized agent of the borrowing entity
  - c. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - i. Original POA
    - ii. Copy of the recorded POA

**Proof of Lien Position**, which reflects lender in first-lien position (for loans coded as first lien per Call Report instructions) may be documented by one the following:

1. For loans with original principal balances of \$250,000 or greater, one of the following must be provided.
  - a. Lender's Title Policy
    - i. Must contain evidence of the transfer of title.
    - ii. Coverage must be in an amount sufficient to cover the current unpaid principal balance.
    - iii. Legal description of the property on Title Policy must match description on the Deed of Trust/Mortgage.
    - iv. Must contain successor language, e.g., "XYZ Bank and Its Successors and/or Assigns as Their Interests May Appear"
  - b. Attorney's Final Opinion of Title



- i. Legal description of the property on Attorney's Final Opinion of Title must match description on the Deed of Trust/Mortgage
- c. A commitment for title insurance or an attorney's preliminary title opinion will be accepted if the title commitment has not expired, subject to the following conditions:
  - i. A title search or preliminary report indicates the Member will be in first-lien position
  - ii. The Housing and Urban Development (HUD-1) Settlement Statement confirms the purchase of the mortgagee title policy
- 2. For loans with original principal balances less than \$250,000, any of the Proof of Lien documents in the section immediately above or one of the following:
  - a. Title search
  - b. Mortgage Protection Insurance policy
  - c. Title abstract

**Collateral Valuation/Appraisal (CFR 12 1266.10.c.)** must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation is as follows:

- 1. For loans with original principal balances of \$400,000 or greater:
  - a. Full appraisal per standards consistent with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and Uniform Standards of Professional Appraisal Practices (USPAP)
- 2. For loans with original principal balances less than \$400,000, in addition to the document in the section immediately above, Member may also provide:
  - a. A written, signed appraisal/valuation (which may be performed by Member institution's staff) that includes a collateral description that clearly identifies the property
- 3. For loans with original principal balances less than \$100,000, in addition to the documents in the section immediately above, Member may also provide one of the following:
  - a. Hazard insurance documentation substantiating the value of the collateral supporting the loan
  - b. Sales contract substantiating the value of the collateral supporting the loan
  - c. Broker's opinion of value of the collateral supporting the loan
- 4. If original appraisal was performed "Subject to Completion," please provide one of the following:
  - a. Updated appraisal from original appraiser
  - b. Recertification of appraisal from original appraiser
  - c. Certificate of Occupancy
  - d. If the appraisal is more than one year old, the completion value of hazard insurance may suffice as proof of value.

**Perfection of Lien** evidenced by the following: (FHLB Bulletin 2016-08)

- 1. Recorded Mortgage or Deed of Trust as promulgated by state law
  - a. Must include all pages and riders
  - b. Original loan amount and borrower name(s) must match the promissory note
  - c. Property legal description must match:
    - i. All applicable collateral valuation documents
    - ii. All documents evidencing proof of lien position
  - d. Copies of recorded (filed) or original documents of any renewals, extensions or modifications are required
  - e. For income-producing properties, an Assignment of Rents and Leases evidenced by one of the following:
    - i. Assignment of Rents and Leases clause in Deed of Trust or Mortgage
    - ii. Recorded Assignment of Rents and Leases document

## Flood Determination (12 CFR 1250.2)

- a. Flood insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
- b. If required, flood insurance must be current, and Member must be listed as the additional insured
- c. The amount of flood insurance should be the lesser of:
  - i. The unpaid principal balance of the mortgage, or
  - ii. The maximum insurance available from the National Flood Insurance Program (NFIP)

## Hazard Insurance (MPCP – III. C. 2. Eligible Collateral)

- a. Must be current and reflect Member as loss payee
- b. The amount of coverage should be equal to or greater than the unpaid principal balance. FHLB Dallas will accept an amount of hazard insurance equal to the lesser of the Sales Price or Appraised Value minus the land value
- c. If the insurable value of the improvements (as determined by the property insurer) is less than the unpaid principal balance, the insurable value is the amount of coverage required
- d. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

# Consumer Regulatory Compliance Requirements

**Applicable Regulations** – FHLB Dallas will review additional documentation as detailed below for compliance with applicable consumer regulations, which include:

- a. Dodd-Frank Wall Street Reform and Consumer Protection Act ([Dodd-Frank](#))
- b. The Home Ownership and Equity Protection Act ([HOEPA](#))
- c. Real Estate Settlement Procedures Act ([Reg X](#))
- d. Truth in Lending Act ([Reg Z](#)) ([FHLB Bulletin 2014-02](#))
- e. Electronic Signatures in Global and National Commerce Act ([e-SIGN](#))
- f. Uniform Electronic Transactions Act ([UETA](#))
- g. For Texas Home Equity Loans, the Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution.

## Additional Documents

1. HUD-1 settlement statement or TILA-RESPA Integrated Disclosure (TRID), depending on date of transaction
2. Disclosures for Adjustable-Rate Mortgages, where applicable
3. Truth-in-Lending Disclosure or TRID (depending on date of transaction) for applicable consumer transactions

## Proof of Borrowers' Ability to Repay

1. For Owner-Occupied Primary Residences
  - a. Verification of income, as evidenced by one or more of the following
    - i. Tax return(s)
    - ii. W-2
    - iii. Pay stubs
    - iv. Verification of employment with income
    - v. Proof of automatic payroll deposit to bank account
  - b. Credit report(s), which will be reviewed consistent with FHLB Dallas' current underwriting guidelines
  - c. Borrowers' total monthly debt payments, which will be reviewed consistent with FHLB Dallas' current underwriting guidelines
  - d. Final loan terms including loan type and purpose, as evidenced by one or more of a fully completed
    - i. FNMA Form 1008 or equivalent

- ii. FNMA Form 1003 or equivalent
- iii. Loan application

- iv. Credit memorandum
2. For Non-Owner-Occupied 1-4 Family Investor Properties, one or more of the following:
  - a. Documentation showing debt service coverage ratio (DSCR)
    - i. DSCR must be equal to or greater than 1.05 times
  - b. Cash flow analysis on the borrower
  - c. Evidence that the borrower has sufficient cash reserves to service the loan, considering the possibility of extended periods of property vacancy

## HOEPA Compliance Requirements

1. Note: Residential mortgage loans originated on or after January 10, 2014, and secured by a principal dwelling will be reviewed for compliance and associated documentation with Consumer Finance Protection Bureau (CFPB) ruling relative to appraisal requirements for higher-risk mortgages, as outlined in applicable sections of (12 CFR 1026):

## Appraisal Requirements for Higher-Risk Mortgages

1. Appraisal must be written appraisal performed by a certified or licensed appraiser and includes interior inspection of subject property
2. Notice must be provided to Borrower at application confirming Borrower will receive a copy of the subject appraisal
3. Additional appraisal from a different appraiser is required if the property is being resold at a higher price within 180 days of its previous sale

## Ineligible Characteristics - Single-Family Loans

1. Loans currently over 90 days delinquent ([12 CFR 1266.7a.1.](#))
2. Loans encumbered by Property Assessed Clean Energy (PACE) program liens ([FHLB Bulletin 2010-13](#))  
Loans with PACE liens will be considered ineligible if:
  - a. The PACE lien is superior to the mortgage pledged to FHLB Dallas, and the combined LTV of the mortgage pledged to FHLB Dallas plus unpaid balance of the PACE lien exceeds 100 percent of the current appraised value
  - b. The PACE lien balance cannot be determined
 The collateral Zip Code will be compared to a PACE jurisdiction database. For any Zip Code match to a PACE Zip Code jurisdiction, FHLB Dallas will require one of the following:
  - a. A copy of the current tax statement
  - b. A tax certification
3. One- to four-family purchase transaction loans originated after February 8, 2011, which are determined to be encumbered by a Private Transfer Fee ([FHLBBulletin2012-09](#))
4. All one- to four-family residential principal residence purchase or refinance loans prior to January 10, 2014, containing the following provisions (regardless of lien position): ([FHLB Bulletin 2014-02](#))
  - a. Single-premium credit life or similar insurance required
  - b. Prepayment penalties for early payoff beyond the first FIVE (5) YEARS of the loan
  - c. Annual Percentage Rates that exceed the rates on comparable maturity Treasury Securities by more than eight (8) percentage points for first liens or more than ten (10) percentage points for second liens
  - d. Points and fees payable by the borrower exceeding the greater of \$625 (adjusted for inflation) or eight (8) percent of the total loan amount.

5. All one- to four-family residential principal residence purchase or refinance loans ON OR AFTER January 10, 2014, containing the following provisions (regardless of lien position): ([FHLB Bulletin 2014-02](#))
  - a. Mandatory arbitration with respect to dispute resolution
  - b. Single-premium credit life or similar insurance required
  - c. Financing of credit life insurance premiums or similar insurance
  - d. Prepayment penalties for early payoff beyond the first THREE YEARS (3) of the loan
  - e. Annual Percentage Rates that exceed the Average Prime Offer Rate ("APOR") by more than 6.5percent
  - f. Points and fees payable by the borrower exceeding 5 percent of the loan amount for loans of \$20,391 or more
  - g. Points and fees payable by the borrower exceeding the lesser of \$1,020 or eight (8) percent of the loan amount for loans less than \$20,391
6. One- to four-family residential loans originated or acquired after July 10, 2007, that are non-compliant with Interagency Guidance for Subprime and Nontraditional Lending ([FHLB Bulletin 2009-03](#))
7. First-Lien Single-Family loans with Current Loan-To-Value (LTV) greater than 100 percent. LTV may be up to 104 percent on any government-insured or guaranteed loan ([All LTVs are addressed in FHLB Bulletin 2015-16.](#))
8. First-Lien Single-Family loans with a Federal Housing Authority (FHA) / Veterans Administration (VA) / United States Department of Agriculture (USDA) or any other government-insured/government-backed guarantee that do not have a Mortgage Insurance Premium Certificate, VA Loan Guaranty Certificate, or any other government-backed guarantee
9. CU703A loans for unimproved land zoned for 1-4 family residential use are not eligible as single-family loans
10. CU703A loans for lines of credit secured by 1-4 family dwellings are not eligible as single-family loans.



## Multifamily Loans (5+ Unit Properties)

1. Multifamily loans include loans reported on call report line 1.d (RCON1460) and (CU400M, CU400M1))
  - a. Fully disbursed, closed-end loans on residential properties containing five or more units
    - i. This does not include loans on single-family (1-4 unit) residential rental properties, e.g., a landlord with five single-family units securing one loan is not considered a multifamily loan
    - ii. The Member-retained portion(s) of multifamily loan(s) with a participation sold will be considered eligible
2. Multifamily properties include, but are not limited to:
  - a. Apartment buildings

## Multifamily Loan Documentation Requirements

### Promissory Note Original inked document required

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s). Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - a. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - b. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - c. If a Power of Attorney(POA) was utilized, then one of the following must be provided:
    - i. Original POA
    - ii. Copy of the recorded POA

**Proof of Lien Position**, which reflects lender in first-lien position (for loans coded as first lien per Call Report instructions) or second lien position (if lender also holds first-lien position) may be documented by one of the following:

1. Lender's Title Policy
  - a. Must contain evidence of the transfer of title
  - b. Coverage must be in an amount sufficient to cover the current unpaid principal balance
  - c. Legal description of the property on Title Policy must match description on the Deed of Trust/Mortgage
  - d. Must contain successor language, e.g., "XYZ Bank and Its Successors and/or Assigns as Their Interests May Appear"
2. Attorney's Final Opinion of Title
  - a. Legal description of the property on Attorney's Final Opinion of Title must match description on the Deed of Trust/Mortgage
3. A commitment for title insurance or an attorney's preliminary title opinion will be accepted if the title commitment has not expired, subject to the following conditions:
  - a. A title search or preliminary report indicates the Member will be in first-lien position
  - b. The Housing and Urban Development (HUD-1) Settlement Statement confirms the purchase of the mortgagee title policy

**Collateral Valuation/Appraisal (12 CFR 1266.10.c)** Collateral valuation/appraisal must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation is as follows:

1. For loans with original principal balances of \$250,000 or greater originated prior to April 9, 2018; and loans with original principal balance of \$500,000 or greater originated on or after April 9, 2018:
  - a. Full appraisal per standards consistent with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and Uniform Standards of Professional Appraisal Practices (USPAP)
2. For loans with original principal balances of less than \$250,000 originated prior to April 9, 2018; and loans with original principal balances of less than \$500,000 originated on or after April 9, 2018, in addition to the document in the section immediately above Member may also provide:
  - a. A written, signed appraisal/valuation (which may be performed by Member institution's staff) that includes a collateral description that clearly identifies the property
3. For loans with original principal balances less than \$100,000, in addition to the documents in the section immediately above, Member may also provide one of the following:
  - a. Hazard insurance documentation substantiating the value of the collateral supporting the loan
  - b. Sales contract substantiating the value of the collateral supporting the loan
  - c. Broker's opinion of value of the collateral supporting the loan
4. If original appraisal was performed "Subject to Completion," please provide one of the following:
  - a. Updated appraisal from original appraiser
  - b. Recertification of appraisal from original appraiser
  - c. Certificate of Occupancy
  - d. If the appraisal is more than a year old, the completion value of hazard insurance may suffice as proof of value.

**Perfection of Lien** evidenced by the following: [\(FHLB Bulletin 2016-08\)](#)

1. Recorded Mortgage or Deed of Trust as promulgated by state law:
  - a. Must include all pages and riders
  - b. Original loan amount and borrower name(s) must match the promissory note
  - c. Property legal description must match
    - i. All applicable collateral valuation documents
    - ii. All documents evidencing proof of lien position
  - d. Copies of recorded(filed) or original documents of any renewals, extensions or modifications are required
  - e. For income-producing properties, an Assignment of Rents and Leases evidenced by one of the following:
    - i. Assignment of Rents and Leases clause in Deed of Trust or Mortgage
    - ii. Recorded Assignment of Rents and Leases document

**Flood Determination (12 CFR 1250.2)**

1. Flood insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
2. If required, flood insurance must be current, and Member must be listed as the additional insured.
3. The amount of flood insurance should be the lesser of:
  - a. The unpaid principal balance of the mortgage, or
  - b. The maximum insurance available from the National Flood Insurance Program (NFIP)



## Hazard Insurance (MPCP – III. C. 2. Eligible Collateral)

1. Must be current and reflect Member as loss payee
2. The amount of coverage should be equal to or greater than the unpaid principal balance. FHLB Dallas will accept an amount of hazard insurance equal to the lesser of the Sales Price or Appraised Value minus the land value
3. If the insurable value of the improvements (as determined by the property insurer) is less than the unpaid principal balance, the insurable value is the amount of coverage required
4. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

## Proof of Borrowers' Ability to Repay

1. Documentation showing debt service coverage ratio (DSCR) must be provided:
  - a. DSCR must be equal to or greater than 1.05 times

## Ineligible Characteristics - Multifamily Loans

1. Loans currently over 30 days delinquent
2. Loans encumbered by Property Assessed Clean Energy program (PACE) liens. ([FHLB Bulletin 2010-13](#)). Loans with PACE liens will be considered ineligible if:
  - a. The PACE lien is superior to the mortgage pledged to FHLB Dallas, and the combined LTV of the mortgage pledged to FHLB Dallas plus unpaid balance of the PACE lien exceeds 85 percent of the current appraised value
  - b. The PACE lien balance cannot be determined

The collateral Zip Code will be compared to a PACE jurisdiction database. For any Zip Code match, FHLB Dallas will require one of the following:

  - a. A copy of the current tax statement
  - b. A tax certification
3. Multifamily purchase transaction loans originated after February 8, 2011, which are determined to be encumbered by a Private Transfer Fee ([FHLB Bulletin 2012-09](#))
4. Multifamily loans with Current Loan-To-Value (LTV) greater than 85 percent ([All LTVs are addressed in FHLB Bulletin 2015-16](#))
  - a. If the value of the Multifamily loan collateral ("primary collateral") is insufficient to attain an 85 percent LTV, and there is additional real estate collateral ("non-primary collateral") pledged to the loan, FHLB Dallas may consider the non-primary collateral for additional value, subject to the following requirements:
    - i. The primary collateral totals at least 50 percent of the total collateral value, by dollars, as determined by the appropriate valuation(s) in file
    - ii. The non-primary collateral is first-lien eligible real estate collateral (RCONs F158, F159, 1420, 5367, F160, F161, as well as CU703)
    - iii. The combined value of both the primary collateral and non-primary collateral are sufficient to bring the total LTV for the loan to 85 percent or less
    - iv. All of the above conditions i. – iii. must be met in order for the non-primary collateral to be given value, and the loan considered eligible
5. CU400M and CU400M1 loans for unimproved land zoned for multi-family residential use are not eligible as multi-family loans.
6. CU400M and CU400M1 loans secured by more than one 1 to 4-family residential property are not eligible as multi-family loans

## Commercial Real Estate Loans

1. Commercial real estate loans include loans reported on call report line 1.e.1 (RCONF160) and line 1.e.2 (RCONF161) and (CU400H2, CU400J2, CU400H3, and CU400J3)
  - a. Loans secured by owner-occupied, or non-owner occupied, nonfarm, nonresidential commercial properties
2. Income-producing commercial real estate properties typically include, but are not limited to:
  - a. Office buildings
  - b. Retail buildings
  - c. Restaurants
  - d. Hotels
  - e. Warehouses
3. Non-income-producing commercial real estate properties typically include, but are not limited to:
  - a. Churches
  - b. Offices or other facilities of non-profit agencies
  - c. Owner-occupied properties (no rental income)

## Commercial Real Estate Loan Documentation Requirements

### Promissory Note Original inked document required

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s). Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - a. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - b. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - c. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - i. Original POA
    - ii. Copy of the recorded POA

**Proof of Lien Position**, which reflects lender in first-lien position (for loans coded as first lien per Call Report instructions) or second lien position (if lender also holds first-lien position) may be documented by one of the following:

1. Lender's Title Policy
  - a. Must contain evidence of the transfer of title
  - b. Coverage must be in an amount sufficient to cover the current unpaid principal balance
  - c. Legal description of the property on Title Policy must match description on the Deed of Trust/Mortgage
  - d. Must contain successor language, e.g., "XYZ Bank and Its Successors and/or Assigns as Their Interests May Appear"
2. Attorney's Final Opinion of Title
  - a. Legal description of the property on Attorney's Final Opinion of Title must match description on the Deed of Trust/Mortgage
3. A commitment for title insurance or an attorney's preliminary title opinion will be accepted if the title commitment has not expired, subject to the following conditions:

- a. A title search or preliminary report indicates the Member will be in first-lien position
- b. The Housing and Urban Development (HUD-1) Settlement Statement confirms the purchase of the mortgage title policy

**Collateral Valuation/Appraisal (12 CFR 1266.10.c)** Collateral valuation/appraisal must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation is as follows:

1. For loans with original principal balances of \$250,000 or greater originated prior to April 9, 2018; and loans with original principal balance of \$500,001 or greater originated on or after April 9, 2018:
  - a. Full appraisal per standards consistent with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and Uniform Standards of Professional Appraisal Practices (USPAP)
2. For loans with original principal balances of less than \$250,000 originated prior to April 9, 2018; and loans with original principal balances of \$500,000 or less originated on or after April 9, 2018, in addition to the document in the section immediately above Member may also provide:
  - a. A written, signed appraisal/valuation (which may be performed by Member institution's staff) that includes a collateral description that clearly identifies the property
3. For loans with original principal balances less than \$100,000, in addition to the documents in the section immediately above, Member may also provide one of the following:
  - a. Hazard insurance documentation substantiating the value of the collateral supporting the loan
  - b. Sales contract substantiating the value of the collateral supporting the loan
  - c. Broker's opinion of value of the collateral supporting the loan
4. If original appraisal was performed "Subject to Completion," please provide one of the following:
  - a. Updated appraisal from original appraiser
  - b. Recertification of appraisal from original appraiser
  - c. Certificate of Occupancy
  - d. If the appraisal is more than a year old, the completion value of hazard insurance may suffice as proof of value

**Perfection of Lien** evidenced by the following: (FHLB Bulletin 2016-08)

1. Recorded Mortgage or Deed of Trust as promulgated by state law
  - a. Must include all pages and riders
  - b. Original loan amount and borrower name(s) must match the promissory note
  - c. Property legal description must match
    - i. All applicable collateral valuation documents
    - ii. All documents evidencing proof of lien position
  - d. Copies of recorded (filed) or original documents of any renewals, extensions or modifications are required
  - e. For income-producing properties, an Assignment of Rents and Leases evidenced by one of the following:
    - i. Assignment of Rents and Leases clause in Deed of Trustor Mortgage
    - ii. Recorded Assignment of Rents and Leases document

**Flood Determination (12 CFR 1250.2)**

1. Flood Insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
2. If required, flood insurance must be current, and Member must be listed as the additional insured
3. The amount of flood insurance should be the lesser of:
  - a. The unpaid principal balance of the mortgage, or
  - b. The maximum insurance available from the National Flood Insurance Program (NFIP)

## Hazard Insurance (MPCP – III. C. 2. Eligible Collateral)

1. Must be current and reflect Member as loss payee
2. The amount of coverage should be equal to or greater than the unpaid principal balance. FHLB Dallas will accept an amount of hazard insurance equal to the lesser of the Sales Price or Appraised Value minus the land value
3. If the insurable value of the improvements (as determined by the property insurer) is less than the unpaid principal balance, the insurable value is the amount of coverage required
4. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

## Proof of Borrowers' Ability to Repay

1. For income-producing properties:
  - a. Documentation showing debt service coverage ratio (DSCR) must be provided
    - i. DSCR must be equal to or greater than 1.05 times

## Ineligible Characteristics – Commercial Real Estate Loans

1. Loans currently over 30 days delinquent
2. Loans encumbered by Property Assessed Clean Energy program (PACE) liens. ([FHLB Bulletin 2010-13](#))  
Loans with PACE liens will be considered ineligible if:
  - a. The PACE lien is superior to the mortgage pledged to FHLB Dallas, and the combined LTV of the mortgage pledged to FHLB Dallas plus unpaid balance of the PACE lien exceeds 100 percent of the current appraised value
  - b. The PACE lien balance cannot be determined

The collateral Zip Code will be compared to a PACE jurisdiction database. For any Zip Code match to a PACE Zip Code jurisdiction, FHLB Dallas will require one of the following:

  - a. A copy of the current tax statement
  - b. A tax certification
3. Commercial Real Estate loans with Current Loan-To-Value (LTV) greater than 85 percent ([All LTVs are addressed in FHLB Bulletin 2015-16](#))
  - a. If the value of the Commercial Real Estate loan collateral ("primary collateral") is insufficient to attain an 85 percent LTV, and there is additional real estate collateral ("non-primary collateral") pledged to the loan, FHLB Dallas may consider the non-primary collateral for additional value, subject to the following requirements:
    - i. The primary collateral totals at least 50 percent of the total collateral value, by dollars, as determined by the appropriate valuation(s) in file
    - ii. The non-primary collateral is first-lien eligible real estate collateral (RCONs F158, F159, 1420, 5367, 1460, as well as CU703)
    - iii. The combined value of both the primary collateral and non-primary collateral are sufficient to bring the total LTV for the loan to 85 percent or less
    - iv. All of the above conditions i. – iii. must be met in order for the non-primary collateral to be given value, and the loan considered eligible

## 1- to 4-Family Residential Construction

1. 1- to 4-Family Residential Construction loans include loans secured by 1- to 4-family residential construction and reported on call report line 1.a.1(RCONF158) and (CU704A2). 1-4 Family Residential Construction loans include:
  - a. Construction loans to builders and developers secured by tracts of land on which 1-4 family residential dwellings (detached or semidetached including prefabricated homes, duplexes, and townhomes) are being constructed
  - b. Combination construction-permanent loans on 1-4 residential dwellings until construction is complete or principal amortization payments begin, whichever comes first
  - c. Loans secured by apartment buildings undergoing conversion to condominiums regardless of the extent of planned construction or renovation where repayment will come from the sales of individual units, all 1-4 residential dwellings
  - d. Bridge loans to developers on 1-4 residential dwellings where buyer will not assume the same loan

## 1- to 4-Family Residential Construction Loan Documentation Requirements

### Promissory Note Original inked document required

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s). Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - a. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - b. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - c. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - i. Original POA
    - ii. Copy of the recorded POA

**Proof of Lien Position**, which reflects lender in first-lien position (for loans coded as first lien per Call Report instructions) or second-lien position if lender also holds first-lien position, may be documented by one of the following:

1. Lender's Title Policy
  - a. Must contain evidence of the transfer of title
  - b. Coverage must be in an amount sufficient to cover the current unpaid principal balance
  - c. Legal description of the property on Title Policy must match description on the Deed of Trust/Mortgage
  - d. Must contain successor language, e.g., "XYZ Bank and Its Successors and/or Assigns as Their Interests May Appear"
2. Attorney's Final Opinion of Title
  - a. Legal description of the property on Attorney's Final Opinion of Title must match description on the Deed of Trust/Mortgage
3. A commitment for title insurance or an attorney's preliminary title opinion will be accepted if the title commitment has not expired, subject to the following conditions:



- a. A title search or preliminary report indicates the Member will be in first-lien position
- b. The Housing and Urban Development (HUD-1) Settlement Statement confirms the purchase of the mortgagee title policy

**Collateral Valuation/Appraisal (12 CFR 1266.10.c)** Collateral valuation/appraisal must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation is as follows:

1. For loans with original principal balances of \$400,000 or greater originated prior to April 9, 2018; and loans with original principal balances of \$500,000 or greater originated on or after April 9, 2018:
  - a. Full appraisal per standards consistent with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and Uniform Standards of Professional Appraisal Practices (USPAP)
2. For loans with original principal balances less than \$400,000 originated prior to April 9, 2018; and loans with original principal balances of less than \$500,000 originated on or after April 9, 2018, in addition to the document in the section immediately above or:
  - a. A written, signed appraisal/valuation (which may be performed by Member institution's staff) that includes a collateral description that clearly identifies the property.
3. For loans with original principal balances less than \$100,000, in addition to the documents in the section immediately above or:
  - a. Hazard insurance documentation substantiating the value of the collateral supporting the loan
  - b. Sales contract substantiating the value of the collateral supporting the loan
  - c. Broker's opinion of value of the collateral supporting the loan
4. If original appraisal was performed "Subject to Completion," please provide one of the following:
  - a. Updated appraisal from original appraiser
  - b. Recertification of appraisal from original appraiser
  - c. Certificate of Occupancy
  - d. If the appraisal is more than a year old, the completion value of hazard insurance may suffice as proof of value

**Perfection of Lien** evidenced by the following: (FHLB Bulletin 2016-08)

1. Recorded Mortgage or Deed of Trust as promulgated by state law
  - a. Must include all pages and riders
  - b. Original loan amount and borrower name(s) must match the promissory note
  - c. Property legal description must match
    - i. All applicable collateral valuation documents
    - ii. All documents evidencing proof of lien position
  - d. Copies of recorded(filed) or original documents of any renewals, extensions or modifications are required.
  - e. For income-producing properties, an Assignment of Rents and Leases evidenced by one of the following:
    - i. Assignment of Rents and Leases clause in Deed of Trust or Mortgage
    - ii. Recorded Assignment of Rents and Leases document

**Flood Determination (12 CFR 1250.2)**

1. Flood insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
2. If required, flood insurance must be current, and Member must be listed as the additional insured
3. The amount of flood insurance should be the lesser of:
  - a. The unpaid principal balance of the mortgage, or
  - b. The maximum insurance available from the National Flood Insurance Program (NFIP)

### Hazard/Builders Risk Insurance (MPCP – III. C. 2. Eligible Collateral)

1. Must be current and reflect Member as loss payee
2. The amount of coverage should be equal to or greater than the unpaid principal balance. FHLB Dallas will accept an amount of hazard insurance equal to the lesser of the Sales Price or Appraised Value minus the land value
3. If the insurable value of the improvements (as determined by the property insurer) is less than the unpaid principal balance, the insurable value is the amount of coverage required
4. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

## Ineligible Characteristics – 1- to 4-Family Residential Construction Loans

1. Loans currently over 30 days delinquent
2. 1- to 4-Family Residential Construction loans with Current Loan-To-Value (LTV) greater than 85 percent ([All LTVs are addressed in FHLB Bulletin 2015-16](#))
  - a. If the value of the 1- to 4-Family Residential Construction loan collateral (“primary collateral”) is insufficient to attain an 85 percent LTV, and there is additional real estate collateral (“non-primary collateral”) pledged to the loan, FHLB Dallas may consider the non-primary collateral for additional value, subject to the following requirements:
    - i. The primary collateral totals at least 50 percent of the total collateral value, by dollars, as determined by the appropriate valuation(s) in file
    - ii. The non-primary collateral is first-lien eligible real estate collateral (RCONs F159, 1420, 1460, 5367, F160, F161, as well as CU703)
    - iii. The combined value of both the primary collateral and non-primary collateral are sufficient to bring the total LTV for the loan to 85 percent or less
    - iv. All of the above conditions i. – iii. must be met in order for the non-primary collateral to be given value, and the loan considered eligible
3. CU704A2 loans for unimproved land zoned for 1-4 family residential construction are not eligible as residential construction loans



## Land Loans

1. Land loans include:
  - a. Call report lines 1.a.2(RCONF159) and (CU143B3 and CU143B4)
    - i. All construction loans for purposes other than constructing 1- to 4-family residential properties
    - ii. Land development loans
    - iii. All other loans secured by land
  - b. Call report lines 1.b(RCON1420) and (CU042A5 and CU042A7)
    - i. Loans secured by farmland and improvements thereon, including farm residences. Includes grazing and pastureland, whether tillable or not and whether wooded or not

## Land Loan Documentation Requirements

### Promissory Note Original inked document required

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s). Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - a. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - b. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - c. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - ii. Original POA
    - iii. Copy of the recorded POA

**Proof of Lien Position**, which reflects lender in first-lien position (for loans coded as first lien per Call Report instructions) or second-lien position if lender also holds first-lien position, may be documented by one of the following:

1. Lender's Title Policy
  - a. Must contain evidence of the transfer of title
  - b. Coverage must be in an amount sufficient to cover the current unpaid principal balance
  - c. Legal description of the property on Title Policy must match description on the Deed of Trust/Mortgage
  - d. Must contain successor language, e.g., "XYZ Bank and Its Successors and/or Assigns as Their Interests May Appear"
2. Attorney's Final Opinion of Title
  - a. Legal description of the property on Attorney's Final Opinion of Title must match description on the Deed of Trust/Mortgage
3. A commitment for title insurance or an attorney's preliminary title opinion will be accepted if the title commitment has not expired, subject to the following conditions:
  - a. A title search or preliminary report indicates the Member will be in first-lien position
  - b. The Housing and Urban Development (HUD-1) Settlement Statement confirms the purchase of the mortgagee title policy

**Collateral Valuation/Appraisal (12 CFR 1266.10.c)** Collateral valuation/appraisal must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation is as follows:

1. For loans with original principal balances of \$250,000 or greater originated prior to April 9, 2018; and loans with original principal balances of \$500,000 or greater originated on or after April 9, 2018:
  - a. Full appraisal per standards consistent with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and Uniform Standards of Professional Appraisal Practices (USPAP)
2. For loans with original principal balances of less than \$250,000 originated prior to April 9, 2018; and loans with original principal balances of less than \$500,000 originated on or after April 9, 2018, in addition to the document in the section immediately above Member may also provide:
  - a. A written, signed appraisal/valuation (which may be performed by Member institution's staff) that includes a collateral description that clearly identifies the property
3. For loans with original principal balances less than \$100,000, in addition to the documents in the section immediately above, or:
  - a. Hazard insurance documentation substantiating the value of the collateral supporting the loan
  - b. Sales contract substantiating the value of the collateral supporting the loan
  - c. Broker's opinion of value of the collateral supporting the loan
4. If original appraisal was performed "Subject to Completion," please provide one of the following:
  - a. Updated appraisal from original appraiser
  - b. Recertification of appraisal from original appraiser
  - c. Certificate of Occupancy
  - d. If the appraisal is more than a year old, the completion value of hazard insurance may suffice as proof of value

**Perfection of Lien** evidenced by the following: (FHLB Bulletin 2016-08)

1. Recorded Mortgage or Deed of Trust as promulgated by state law
  - a. Must include all pages and riders
  - b. Original loan amount and borrower name(s) must match the promissory note
  - c. Property legal description must match
    - i. All applicable collateral valuation documents
    - ii. All documents evidencing proof of lien position
  - d. Copies of recorded (filed) or original documents of any renewals, extensions or modifications are required

**Flood Determination (Improved Structures) (12 CFR 1250.2)**

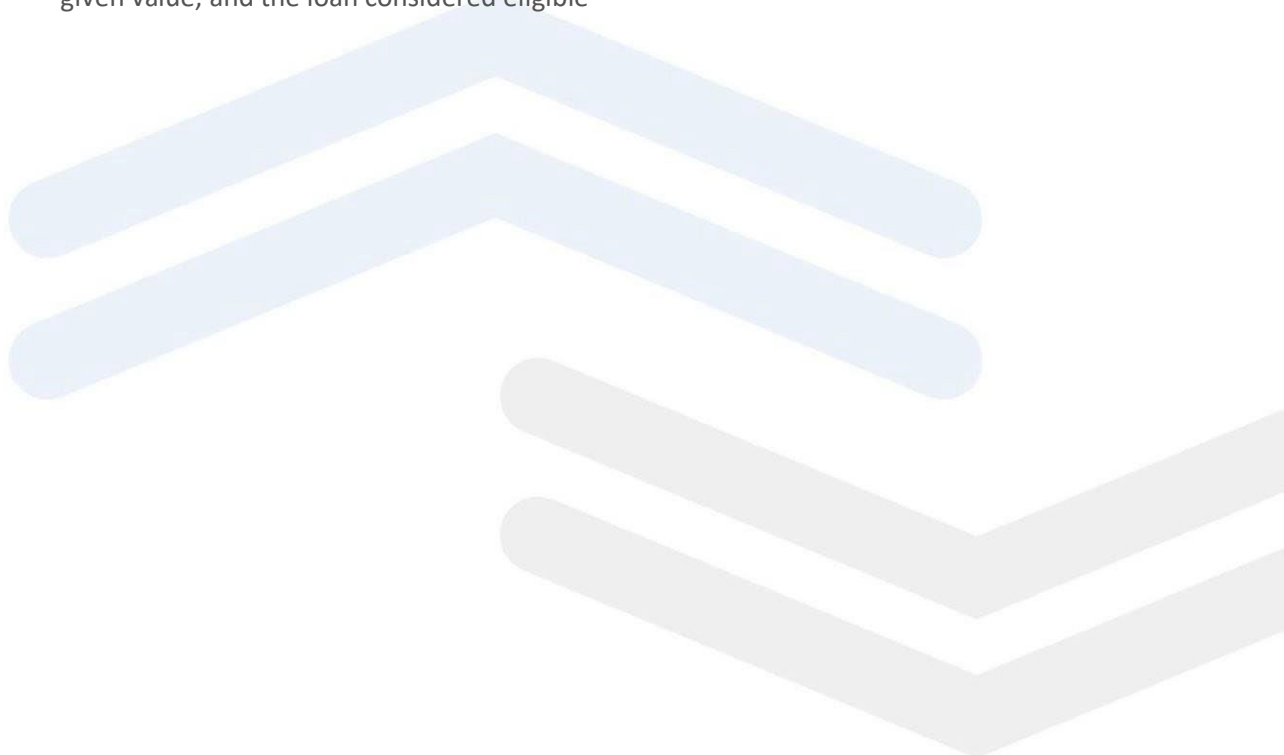
1. Flood insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
2. If required, flood insurance must be current, and Member must be listed as the additional insured.
3. The amount of flood insurance should be the lesser of:
  - a. The unpaid principal balance of the mortgage, or
  - b. The maximum insurance available from the National Flood Insurance Program (NFIP)

## Hazard/Builders Risk Insurance (Improved Structures) (MPCP – III. C. 2. Eligible Collateral)

1. Must be current and reflect Member as loss payee
2. The amount of coverage should be equal to or greater than the unpaid principal balance. FHLB Dallas will accept an amount of hazard insurance equal to the lesser of the Sales Price or Appraised Value minus the land value
3. If the insurable value of the improvements (as determined by the property insurer) is less than the unpaid principal balance, the insurable value is the amount of coverage required
4. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

## Ineligible Characteristics – Land Loans (Other Construction)

1. Loans currently over 30 days delinquent
2. Commercial Land loans with Current Loan-To-Value (LTV) greater than 85percent ([All LTVs are addressed in FHLB Bulletin 2015-16](#))
  - a. If the value of the land loan collateral (“primary collateral”) is insufficient to attain an 85 percent LTV, and there is additional real estate collateral (“non-primary collateral”) pledged to the loan, FHLB Dallas may consider the non-primary collateral for additional value, subject to the following requirements:
    - i. The primary collateral totals at least 50 percent of the total collateral value, by dollars, as determined by the appropriate valuation(s) in file
    - ii. The non-primary collateral is first-lien eligible real estate collateral (RCONs 1460, 5367, F158, F160, F161, as well as CU703)
    - iii. The combined value of both the primary collateral and non-primary collateral are sufficient to bring the total LTV for the loan to 85 percent or less
    - iv. All of the above conditions i. – iii. must be met in order for the non-primary collateral to be given value, and the loan considered eligible



## Home Equity Loans (1- to 4-Family Properties)

1. Home equity loans include loans reported on:
  - a. Call report line 1.c.1 (RCON1797) and (CU386A)
    - i. Revolving, open-end loans secured by 1- 4 family residential properties; typically referred to as a HELOC
    - ii. Secured by junior (or first) liens on those properties. Junior liens only on CU386A loans.
  - b. Call report line 1.c.2.b. (RCON5368) and (CU386A)
    - i. Closed-end loans secured by 1- 4 family properties
    - ii. Secured by junior liens on those properties
2. Includes mobile homes that meet the following criteria:
  - a. Mobile homes must be permanently affixed to real property
  - b. State laws define the purchase or holding of a mobile home as the purchase or holding of real property
  - c. The loan to purchase or hold the mobile home is secured by that mobile home as evidenced by a mortgage or other instrument on real property
3. Properties securing Home Equity loans include, but are not limited to:
  - a. Duplexes
  - b. Triplexes
  - c. Four-plexes
  - d. Loans containing five or more properties are considered single-family if all of the individual properties securing the loan can be independently classified as single-family on their own
4. FHLB Dallas will accept Home Equity loans secured by second liens without requiring the Member to also hold the related first-lien loan. ([FHLB Bulletin2016-08](#))

## Home Equity Loan Documentation Requirements

**Promissory Note** Original inked document required.

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s). Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - a. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - b. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - c. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - i. Original POA
    - ii. Copy of the recorded POA

**Proof of Lien Position**, reflecting lender's appropriate lien position (as indicated by Call Report instructions) may be documented by one of the following:

1. For loans with original principal balances of \$250,000 or greater, one of the following must be provided.
  - a. Lender's Title Policy
    - i. Must contain evidence of the transfer of title
    - ii. Coverage must be in an amount sufficient to cover the current unpaid principal balance
    - iii. Legal description of the property on Title Policy must match description on the Deed of Trust/Mortgage
    - iv. Must contain successor language, e.g., "XYZ Bank and Its Successors and/or Assigns as Their Interests May Appear"
  - b. Attorney's Final Opinion of Title
    - i. Legal description of the property on Attorney's Final Opinion of Title must match description on the Deed of Trust/Mortgage
  - c. A commitment for title insurance or an attorney's preliminary title opinion will be accepted if the title commitment has not expired, subject to the following conditions:
    - i. A title search or preliminary report indicates the Member will be in first-lien position
    - ii. The Housing and Urban Development (HUD-1) Settlement Statement confirms the purchase of the mortgagee title policy
2. For loans with original principal balances less than \$250,000, any of the Proof of Lien documents in the section immediately above or one of the following:
  - a. Title search
  - b. Mortgage Protection Insurance policy
  - c. Title abstract

**Collateral Valuation/Appraisal (12 CFR 1266.10.c.)** Collateral valuations/appraisals must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation is as follows:

1. For loans with original principal balances of \$400,000 or greater:
  - a. Full appraisal per standards consistent with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and Uniform Standards of Professional Appraisal Practices (USPAP)
2. For loans with original principal balances less than \$400,000, in addition to the document in the section immediately above or:
  - a. A written, signed appraisal/valuation (which may be performed by Member institution's staff) that includes a collateral description that clearly identifies the property
3. For loans with original principal balances less than \$100,000, in addition to the documents in the section immediately above or:
  - a. Hazard insurance documentation substantiating the value of the collateral supporting the loan
  - b. Sales contract substantiating the value of the collateral supporting the loan
  - c. Broker's opinion of value of the collateral supporting the loan
4. If original appraisal was performed "Subject to Completion," please provide one of the following:
  - a. Updated appraisal from original appraiser
  - b. Recertification of appraisal from original appraiser
  - c. Certificate of Occupancy
  - d. If the appraisal is more than a year old, the completion value of hazard insurance may suffice as proof of value

## Perfection of Lien evidenced by the following: (FHLB Bulletin 2016-08)

1. Recorded Mortgage or Deed of Trust as promulgated by state law:
  - a. Must include all pages and riders
  - b. Original loan amount and borrower name(s) must match the promissory note.
  - c. Property legal description must match:
    - i. All applicable collateral valuation documents
    - ii. All documents evidencing proof of lien position
  - d. Copies of recorded (filed) or original documents of any renewals, extensions or modifications are required

## Flood Determination (12 CFR 1250.2)

1. Flood insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
2. If required, flood insurance must be current, and Member must be listed as the additional insured
3. The amount of flood insurance should be the lesser of:
  - a. The unpaid principal balance of the mortgage, or
  - b. The maximum insurance available from the National Flood Insurance Program(NFIP)

## Hazard Insurance (MPCP – III. C. 2. Eligible Collateral)

1. Must be current and reflect Member as loss payee
2. The amount of coverage should be equal to or greater than the unpaid principal balance of all loans on the property. FHLB Dallas will accept an amount of hazard insurance equal to the lesser of the Sales Price or Appraised Value minus the land value
3. If the insurable value of the improvements (as determined by the property insurer) is less than the unpaid principal balance, the insurable value is the amount of coverage required
4. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

# Consumer Regulatory Compliance Requirements

**Applicable Regulations** - FHLB Dallas will review additional documentation as detailed below for compliance with applicable consumer regulations, which include:

1. Dodd-Frank Wall Street Reform and Consumer Protection Act ([Dodd-Frank](#))
2. The Home Ownership and Equity Protection Act([HOEPA](#))
3. Real Estate Settlement Procedures Act ([Reg X](#))
4. Truth-in-Lending Act ([Reg Z](#)) ([FHLBBulletin2014-02](#))
5. For Texas Home Equity Loans, the Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution.

## Additional Documentation

1. Housing and Urban Development (HUD-1) settlement statement or TILA-RESPA Integrated Disclosure (TRID), depending on date of transaction
2. Disclosures for Adjustable Rate Mortgages, where applicable
3. Truth-in-Lending Disclosure or TRID (depending on date of transaction) for applicable consumer transactions
4. Documentation of senior lien loan balances on the subject property or properties in order to determine combined LTV ratios



## Proof of Borrowers' Ability to Repay

1. For Owner-Occupied Primary Residences:
  - a. Verification of income, as evidenced by one or more of the following
    - i. Tax return(s)
    - ii. W-2
    - iii. Pay stubs
    - iv. Verification of employment with income
  - b. Credit report(s), which will be reviewed consistent with FHLB Dallas' current underwriting guidelines
  - c. Borrowers' total monthly debt payments, which will be reviewed consistent with FHLB Dallas' current underwriting guidelines
  - d. Final loan terms including loan type and purpose, as evidenced by one or more of a fully completed
    - i. FNMA Form 1008 or equivalent
    - ii. FNMA Form 1003 or equivalent
    - iii. Loan application
    - iv. Credit memoranda

## HOEPA Compliance Requirements

1. Note: Residential mortgage loans originated on or after January 10, 2014, and secured by a principal dwelling will be reviewed for compliance and associated documentation with Consumer Finance Protection Bureau (CFPB) ruling relative to appraisal requirements for higher-risk mortgages, as outlined in applicable sections of (12 CFR 1026).

## Appraisal Requirements for Higher-Risk Mortgages

1. Appraisal must be written appraisal performed by a certified or licensed appraiser and includes interior inspection of subject property
2. Notice must be provided to Borrower at application confirming Borrower will receive a copy of the subject appraisal
3. Additional appraisal from a different appraiser is required if the property is being resold at a higher price within 180 days of its previous sale

## Ineligible Characteristics – Home Equity Loans

1. Loans currently over 30 days delinquent
2. Loans encumbered by Property Assessed Clean Energy (PACE) liens. ([FHLB Bulletin 2010-13](#)) Loans with PACE liens will be considered ineligible if:
  - a. The PACE lien is superior to the mortgage pledged to FHLB Dallas, and the combined LTV of the mortgage pledged to FHLB Dallas plus unpaid balance of the PACE lien exceeds 100 percent of the current appraised value
  - b. The PACE lien balance cannot be determined



The collateral Zip Code will be compared to a PACE jurisdiction database. For any Zip Code match, FHLB Dallas will require one of the following:

- a. A copy of the current tax statement
  - b. A tax certification
3. One- to four-family purchase transaction loans originated after February 8, 2011, which are determined to be encumbered by a Private Transfer Fee ([FHLB Bulletin2012-09](#))
4. All one- to four-family residential principal residence purchase or refinance loans PRIOR TO January 10, 2014, containing the following provisions (regardless of lien position): ([FHLB Bulletin2014-02](#))
  - a. Single-premium credit life or similar insurance required
  - b. Prepayment penalties for early payoff beyond the first FIVE (5) YEARS of the loan
  - c. Annual Percentage Rates that exceed the rates on comparable maturity Treasury Securities by more than eight (8) percentage points for first liens or more than ten (10) percentage points for second liens
  - d. Points and fees payable by the borrower exceeding the greater of \$625 (adjusted for inflation) or eight (8) percent of the total loan amount
5. All one- to four-family residential principal residence purchase or refinance loans ON OR AFTER January 10, 2014, containing the following provisions (regardless of lien position): ([FHLB Bulletin2014-02](#))
  - a. Mandatory arbitration with respect to dispute resolution
  - b. Single-premium credit life or similar insurance required
  - c. Financing of credit life insurance premiums or similar insurance
  - d. Prepayment penalties for early payoff beyond the first THREE YEARS (3) of the loan
  - e. Annual Percentage Rates that exceed the Average Prime Offer Rate ("APOR") by more than 6.5percent
  - f. Points and fees payable by the borrower exceeding five (5) percent of the loan amount for loans of \$20,391 or more
  - g. Points and fees payable by the borrower exceeding the lesser of \$1,020 or eight (8) percent of the loan amount for loans less than \$20,391
6. One- to four-family residential loans originated or acquired after July 10, 2007, that are non-compliant with Interagency Guidance for Subprime and Nontraditional Lending. ([FHLB Bulletin 2009-03](#))
7. Home equity loans with current combined Loan-To-Value (LTV) greater than 100 percent. LTV may be up to 104 percent on any government-insured or guaranteed loan. ([All LTVs are addressed in FHLB Bulletin 2015- 16.](#))
8. Texas Home Equity loans exceeding three (3) percent fee restriction or maximum 80 percent LTV restriction – State Regulation

## Small Business Loans

1. Small business loans include loans for commercial and industrial purposes reported on call report lines 4. and 4.a. (RCON1766 and RCON1766)
  - a. This includes loans to business enterprises guaranteed by the Small Business Administration(SBA)
2. Collateral for Small Business loans includes, but is not limited to:
  - a. Equipment
  - b. Inventory
  - c. Accounts receivable
  - d. Vehicles
  - e. Machinery
  - f. Ships
  - g. Airplanes
  - h. Oil and gas interests

## Small Business Loan Documentation Requirements

### Promissory Note Original inked document required

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s). Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - a. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - b. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - c. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - i. Original POA
    - ii. Copy of the recorded POA

### Proof of Lien Position, which reflects lender in first-lien position (for loans coded as first lien per Call Report instructions) may be documented by the following:

1. UCC search
2. Aircraft title search

### Collateral Valuation / Appraisal (12 CFR 1266.10.c.) Collateral valuations/appraisals must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation may consist of, but is not limited to, the following:

1. Bill of sale
2. Aging report for accounts receivable
3. Borrowing-base reports prepared by Member institution
4. Third-party collateral appraisals
5. Valuation derived from borrower's financial statements
6. Survey of seagoing vessel
7. Publicly available third-party value statements, e.g., automobile "BlueBook"
8. Engineer's report

**Perfection of Lien** as evidenced by one or more of the following:

1. Security Agreement filed with the appropriate public office
2. UCC-1 financing statement filed with Secretary of State, County or Parish, and/or other appropriate public office
3. Vehicle titles, with Member named as Lienholder
4. Aircraft security agreement filed with Federal Aviation Administration (FAA)

**Hazard Insurance (if applicable) (MPCP – III. C. 2. Eligible Collateral)**

1. Must be current and reflect member as loss payee
2. The amount of coverage should be equal to or greater than the unpaid principal balance.
3. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

## Ineligible Characteristics - Small Business Loans

1. Loans currently over 30 days delinquent.
2. Small business loans with current Loan-To-Value (LTV) greater than 85 percent
3. Loans secured by checking accounts, savings accounts, certificates of deposit
4. Loans secured by life insurance policies
5. Loans secured by contract rights, or assignment of contracts
6. Loans secured by liquor license
7. Loans secured by leasehold improvements
8. Loans secured by intangible assets, such as goodwill
9. Loans considered by FHLB Dallas to be a warehouse line of credit to a third-party mortgage originator
10. Loans secured by mobile home dealer floorplans
11. Dealer floor plan loans secured by titled collateral where Member does not have possession of all titles or Manufacturer's Statement(s) of Origin (MSO).
12. Loans secured by accounts receivable with aging report dated more than 12 months prior to the date of FHLB Dallas' review
13. Loans secured by real estate Notes Receivable
14. Loans made to Member's borrowers under FHLB Dallas' Small Business Boost program

## Small Farm Loans

1. Small farm loans include loans for agricultural production and other loans to farmers reported on call report line 3. (RCON1590). This includes loans guaranteed by USDA Farm Service Agency and the United States Department of Agriculture (USDA).
2. Collateral for small farm loans includes, but is not limited to:
  - a. Farm equipment
  - b. Crops
  - c. Livestock
  - d. Vehicles
  - e. Farm machinery
  - f. Airplanes

## Small Farm Loan Documentation Requirements

**Promissory Note** Original inked document required.

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note must contain original wet-inked signature(s). Renewals, extensions, change of terms, and/or modifications of the original note may be signed electronically.
  - i. For natural borrowers, promissory note must be executed by borrower named on promissory note.
  - ii. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - iii. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - Original POA
    - Copy of the recorded POA
  - b. Promissory note (including any and all renewals/extensions/change of terms/modifications thereof) must contain original wet-inked signature(s). For natural borrowers, promissory note must be executed by borrower named on promissory note
  - c. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity
  - d. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
    - i. Original POA
    - ii. Copy of the recorded POA

**Proof of Lien Position**, which reflects lender in first-lien position (for loans coded as first lien per Call Report instructions) may be documented by the following:

1. UCC search
2. Aircraft title search

**Collateral Valuation/Appraisal** (12 CFR 1266.10.c.) Collateral valuations/appraisals must be dated within 12 months prior to loan closing or an updated valuation since loan closing. Collateral valuation documentation may consist of, but is not limited to, the following:

1. Bill of sale
2. Borrowing-base reports prepared by Member institution

3. Third-party collateral appraisals
4. Valuation derived from borrower's financial statements
5. Publicly available third-party value statements, e.g., automobile "BlueBook"

**Perfection of Lien** as evidenced by one or more of the following:

1. Security Agreement filed with the appropriate public office
2. UCC-1 financing statement filed with Secretary of State, County or Parish, and/or other appropriate public office
3. Vehicle titles, with Member named as Lienholder
4. Aircraft security agreement filed with Federal Aviation Administration (FAA)

**Hazard Insurance (if applicable)** (MPCP – III. C. 2. Eligible Collateral)

1. Must be current and reflect Member as loss payee
2. The amount of coverage should be equal to or greater than the unpaid principal balance.
3. A review of each loan-specific insurance policy is not required if a Blanket Forced Placed Insurance Policy is in effect

## Ineligible Characteristics - Small Farm Loans

1. Loans currently over 30 days delinquent
2. Small farm loans with current Loan-To-Value (LTV) greater than 85 percent



## Exhibit A - Partial Exceptions Criteria

For member institutions receiving an onsite collateral review, the Bank may, in its sole discretion, assign partial credit if the loans sampled during the collateral verification fail to fully satisfy the Bank's eligibility or documentation requirements. Documentation must **substantially** satisfy eligibility and/or documentation requirements. Partial adjustments may be made only for the following items:

Exception Item	Partial Credit % Assigned to Sample Exception Rate*
Duplicate Original Notes	5% of the exception rate
Lack of Allonge to Members	10% of the exception rate
Mortgage Amount Less Than Unpaid Principal Balance	10% of the exception rate
Missing/Expired Hazard Insurance	10% of the exception rate
Missing/Expired Flood Insurance	20% of the exception rate
Missing/Unrecorded Assignment of Rents	20% of the exception rate

*\* The exception rate is equivalent to a single exception identified relative to the total sample size for a specific loan category. For example, when calculating the exception rate for a single-family loan for which the sample size is 30 loans, the normal exception rate would be 1/30 or 3.33% across the entire loan category. However, if a loan has missing or expired hazard insurance, the Bank will calculate the exception rate by assigning a partial credit percentage, shown in the chart above. The calculation would be 3.33 x 10%, equating to an exception percentage of .333% across the entire loan category. The sum of the adjustments for partial credit are limited to 25% per loan sampled. If more than 25% worth of partial credit adjustments are identified, the loan will be considered ineligible and a full exception rate will be assigned.*

## Exhibit B – Environmental Site Assessments

In some instances, real estate collateral may have been exposed to certain environmental hazards and/or contaminants. Sites known or suspected to be contaminated by toxic chemicals or radioactive materials include, but are not limited to sites: (i) listed on an EPA Superfund National Priorities or CERCLA List, or equivalent State list; (ii) located within 3,000 feet of a toxic or solid waste landfill site; or (iii) with an underground storage tank. For any of these conditions (as well as others at its sole discretion) the Bank will require an ASTM Phase I report. A Phase I report may also be required when recommended by the appraiser of the subject property based on the appraiser's knowledge of the property history, surrounding area, or the current use of the property.

In lieu of a Phase I report the Bank, at its sole discretion, may accept the following alternative documentation:

- Evidence the site is not contaminated, which may include:
  - Certification from the State or Environmental Protection Agency (EPA) within the past 24 months that the property site is compliant with environmental laws and regulations.
  - Professional examination from a Licensed Site Remediation Professional (LSRP) within the past 24 months, certifying that the property site is free of any environmental contamination per EPA or State standards.
- Evidence supporting a determination the hazard will not affect health and safety of the occupants or conflict with the intended use of the site, including any mitigation measures used.

Documentation the site has been cleaned up according to EPA or state standards which requires a letter of “No Further Action” required from the appropriate state department/agency, or a “Response Action Outcome” letter from the LSRP



## Exhibit C- Expanded Loan Collateral

### Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans

1. Loans made to eligible borrowers through the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
  - a. Eligible borrowers include:
    - i. Any small business concern that meets SBA's size standards (either the industry based sized standard or the alternative size standard)
    - ii. Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans' organization, or Tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
      1. 500 employees, or
      2. that meets the SBA industry size standard if more than 500
    - iii. Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
    - iv. Sole proprietors, independent contractors, and self-employed persons
2. These loans have a maturity of 2 years, with an interest rate of 1.0%. Payments are deferred until month six. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (at least 75% of the forgiven amount must have been used for payroll).
3. No collateral or personal guarantees are required.
4. Members wishing to pledge these loans must complete the "FHLB Dallas PPP Certification form", evidencing that these loans have not pledge loans to any other entity, including any Federal Reserve Bank.

### Small Business Administration's Paycheck Protection Program (PPP) loans Documentation Requirements

#### Promissory Note

1. Promissory note must be payable to Member. If not, Member must have one or more of the following:
  - a. Complete chain of endorsements
  - b. Purchase/Assumption Agreement
  - c. Evidence of merger/acquisition on file
  - d. Other legal evidence of ownership
2. Promissory note(s) may be the SBA Standard Loan Note (Form 147), or a promissory note of the lender's own choosing, and may be:
  - a. a signed, original document
  - b. a scanned copy of the original signed document
  - c. any form of E-consent or E-signature that complies with the requirements of the Electronic Signatures in Global and National Commerce Act (P.L. 106-229).
3. For non-natural borrowers, promissory note must be executed by an authorized agent of the borrowing entity. If a Power of Attorney (POA) was utilized, then one of the following must be provided:
  - a. Original POA
  - b. Copy of the recorded POA
4. Lenders may include in their promissory notes for PPP loans any terms and conditions, including relating to amortization and disclosure, that are not inconsistent with Sections 1102 and 1106 of the CARES Act, the PPP Interim Final Rules and guidance, and SBA Form 2484.
5. In jurisdictions that permit remote eNotarization, documents do not require the physical presence of each Borrower, provided that the notary public is licensed and domiciled in the State in which the mortgaged premises is located, and the eNotarization law was enacted.
6. Evidence of a loan number for each originated PPP loan assigned by the SBA

## Exhibit D - Community Development Special Finance Program – Pilot

### Collateral Eligibility:

- A single family residential (SFR) loan in which the borrower's income is at or below 115 percent of the median income for the area.
- FHLB Member must certify that the borrower meets the program's income requirements.
- Loans must meet all Bank collateral eligibility requirements as defined in the Single-Family Loan section of this guide and the Member Products and Credit Policy
- Any replacement of qualifying collateral must be income qualifying collateral to retain the haircut discount.

For more information, please contact  
Collateral Services at 800.541.0597  
or [collateral@fhfb.com](mailto:collateral@fhfb.com).