



Member driven.
Community focused.

LOAN COLLATERAL ELIGIBILITY REQUIREMENTS

Federal Home Loan Bank of Dallas

Effective Date: July 1, 2017

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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.

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.

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.

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.

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.

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 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

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
- Commercial Construction Loans
- Land Loans
- Home Equity Loans
- Small Business Loans
- Small Farm Loans

Requirements for All Collateral Types

Unless specified below, copies or digital images of original documentation are acceptable.

- a. **Any and all renewals/extensions/modifications** of the original promissory note must be provided
- 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 1266.7 f.](#))
- 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 1266.7 c.](#))
- f. Purchased participation loans without an Affiliate Agreement in place ([12 CFR 1266.7 g.](#))

Ineligible Collateral (FHLB Dallas Policy)

- a. Loans with a Lost Note Affidavit in lieu of the original paper promissory note
- b. Loans with promissory notes bearing facsimile or electronic signatures. Certified copies are ineligible
- c. Loans pledged to a third party, such as the Federal Reserve or another Federal Home Loan Bank
- d. Loans secured by collateral located outside the United States
- e. Loans to borrowers who do not have lawful presence in the United States
- f. Loans on nonaccrual, not reaffirmed in bankruptcy or other non-performing status
- g. Loans held offsite by a servicer or custodian without a custodial or other appropriate agreement executed with FHLB Dallas
- h. Coding errors identified in the Trial Balance using the Member’s Collateral Code Definition as compared to Regulatory Reporting Guidelines
- i. Reverse mortgages
- j. Loans with a third lien (or lower inferior lien) position where Member does not hold all superior liens

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 (CU703)
 - 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 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 signature
 - 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 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 \$250,000 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 \$250,000, 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. 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](#))

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 with Consumer Finance Protection Bureau (CFPB) ruling relative to appraisal requirements for higher-risk mortgages, as follows:
 - a. First-lien conforming loan amount: Annual Percentage Rate (APR) exceeds Average Prime Offer Rate by 1.5 percent or more
 - b. First-lien non-conforming loan amount: APR exceeds the Average Prime Offer Rate by 2.5 percent or more
 - c. Second lien: APR exceeds Average Prime Offer Rate by 3.5 percent or more

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 1266.7 a. 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 taxstatement
- 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 Bulletin 2012-09](#))
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 6.5 percent
 - 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 an Mortgage Insurance Premium Certificate, VA Loan Guaranty Certificate or any other government-backed guarantee



Multifamily Loans (5+ Unit Properties)

1. Multifamily loans include loans reported on call report line 1.d (RCON1460) and (CU703)
 - a. Fully disbursed, closed-end loans on residential properties with 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
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 signature:
 - 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:
 - 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 \$250,000, 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. Brokers 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. 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

Commercial Real Estate Loans

1. Commercial real estate loans include loans reported on call report line 1.e.1 (RCONF160) and (CU703) and line 1.e.2 (RCONF161) and (CU703)
 - a. Loans secured by owner-occupied, or non-owner occupied, nonfarm, nonresidential commercial properties
2. Commercial real estate properties include, but are not limited to:
 - b. Office buildings
 - c. Retail buildings
 - d. Restaurants
 - e. Hotels
 - f. Hospitals
 - g. Warehouses
 - h. Churches

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 signature
 - 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:
 - 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 \$250,000, 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. Brokers 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. 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

Commercial Construction Loans (1- to 4-Family Residential Construction)

1. Commercial Construction loans include loans secured by 1- to 4-family residential construction and reported on call report line 1.a.1 (RCONF158)
2. Commercial 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

Commercial 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 signature
 - 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:
 - 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 \$250,000, 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.
 - 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)

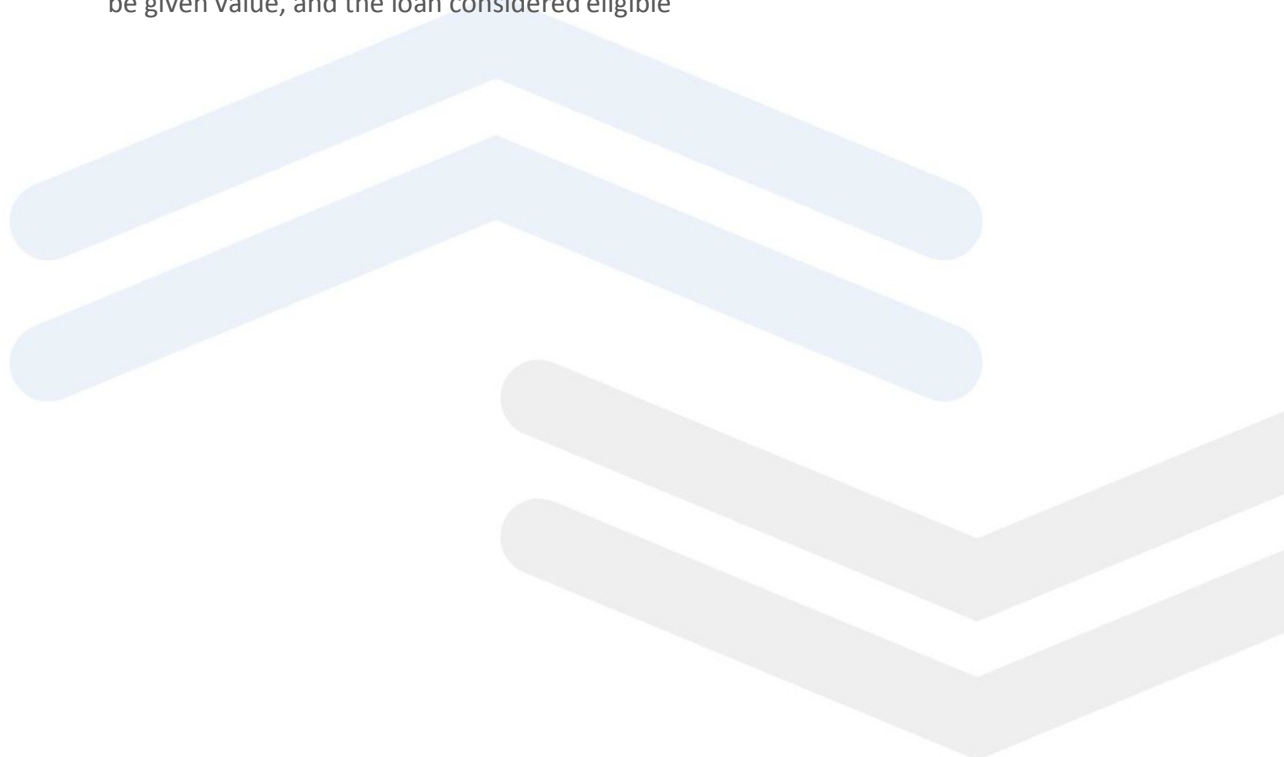
1. Flood insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
2. Member must be listed as the additional insured
3. The amount of flood insurance should be the lesser of:
 - a. The unpaid principal balance of the mortgage, or
 - b. The 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 – Commercial Construction Loans

1. Loans currently over 30 days delinquent
2. Commercial 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 Commercial 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



Land Loans

1. Land loans include:
 - a. Call report lines 1.a.2 (RCONF159)
 - 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)
 - i. Loans secured by farmland and improvements thereon, including farm residences. Includes grazing and pasture land, 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 signature
 - 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:
 - 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 \$250,000, 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 (Improved Structures) (12 CFR 1250.2)

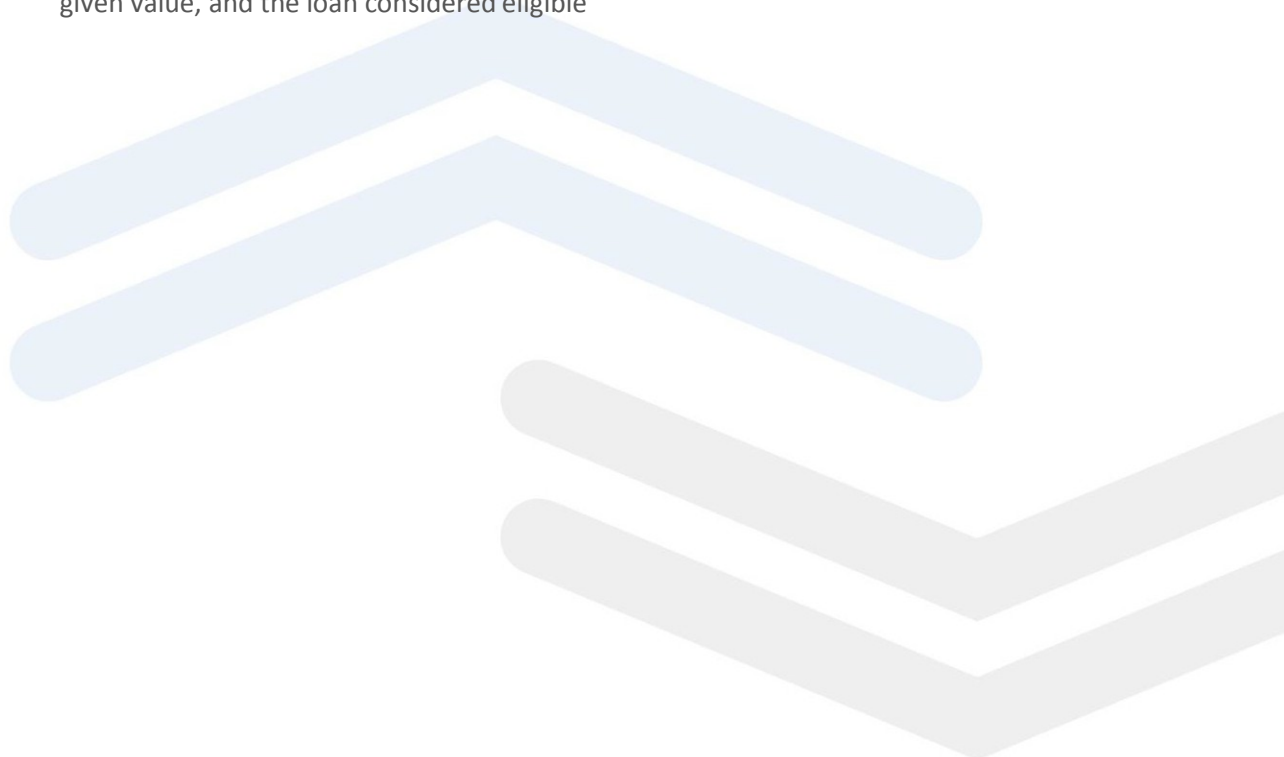
1. Flood insurance is required if the improved real estate collateral property is located in a Special Flood Hazard Area (SFHA)
2. Member must be listed as the additional insured.
3. The amount of flood insurance should be the lesser of:
 - a. The unpaid principal balance of the mortgage, or
 - b. The 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 85 percent ([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 (CU386)
 - i. Revolving, open-end loans secured by 1- to 4-family residential properties; typically referred to as a HELOC
 - ii. Secured by junior (or first) liens on those properties
 - b. Call report line 1.c.2.b. (RCON5368) and (CU386)
 - i. Closed-end loans secured by 1- to 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 Bulletin 2016-08](#))

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 signature
 - 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 \$250,000 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 \$250,000, 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. 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](#)) ([FHLB Bulletin 2014-02](#))
5. Section 50(a)(6), Article XVI, Texas Constitution ([Texas Home Equity Loans](#))

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 with Consumer Finance Protection Bureau (CFPB) ruling relative to appraisal requirements for higher-risk mortgages, as follows:
 - a. First-lien conforming loan amount: Annual Percentage Rate (APR) exceeds Average Prime Offer Rate by 1.5 percent or more
 - b. First-lien non-conforming loan amount: APR exceeds the Average Prime Offer Rate by 2.5 percent or more
 - c. Second lien: APR exceeds Average Prime Offer Rate by 3.5 percent or more

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 Bulletin 2012-09](#))
 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 6.5 percent
 - 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 signature:
 - 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 "Blue Book"
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 floor plans
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

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 signature.
 - 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 it 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 "Blue Book"

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



For more information,
please contact Collateral Services at
800.541.0597 or collateral@fhlb.com.