

Version 04/2016

BLANKET LIEN INELIGIBLE COLLATERAL

Loans with the following characteristics are ineligible to support advances under the blanket lien line of credit with FHLB Dallas ("Bank"). This list may not be all-inclusive and may be modified by FHLB Dallas without prior notice.

Loans to Directors, Officers, Employees, Agents, Attorneys of the Member or FHLB Dallas – Federal Regulations and Bank policy

Loans Adversely Classified

- Loans rated substandard, doubtful or loss – Federal Regulations
- Single family residential loans over 90 days delinquent – Federal Regulations
- Multifamily loans, commercial real estate loans, construction loans, land loans, small business loans, agricultural loans, home equity loans and Held for Sale loans over 30 days delinquent – Bank policy
- Loans on nonaccrual, in bankruptcy or other non-performing status – Bank policy

Loans Unsecured and Miscellaneous Ineligibles

- Unsecured loans - Federal Regulations
- Loans secured by collateral located outside the USA – Bank policy
- Loans secured by stocks and bonds – Federal Regulations
- Loans secured by checking accounts, savings accounts, certificates of deposit – Bank policy
- Loans secured by life insurance policies – Bank policy
- Loans secured by contract rights – Bank policy
- Loans secured by liquor license – Bank policy
- Loans secured by leasehold improvements – Bank policy
- Loans secured by intangible assets such as goodwill – Bank policy
- Loans pledged to a third party such as the Federal Reserve or another FHLB – Bank policy
- Loans where the Member is not in possession of the original, inked-signature paper promissory Note (or FHLB Dallas-approved Bailee Letter) – Bank policy
- Loans where the Member is in possession only of a Lost Note Affidavit in lieu of the original paper promissory Note – Bank policy
- Loans with promissory Notes bearing facsimile or electronic signatures – Bank policy
- Loans acquired without a completed chain of endorsements or blank endorsement – Federal Regulations and Bank policy
- Loans matured more than 30 days prior to the onsite collateral verification review – Bank policy
- Held for sale (HFS) loans that were originated or acquired 60 days or more from origination or acquisition, and HFS loans that are over 30 days delinquent – Bank Policy
- Loans to borrowers who do not have lawful presence in the USA – Bank policy
- Loans held offsite by a servicer or custodian unless a custodial or other appropriate agreement has been executed with FHLB Dallas – Bank policy

- Loans considered by FHLB Dallas to be a warehouse line of credit to a third party mortgage originator – Bank policy
- Loans other than 1-4 family residential, multifamily* or commercial real estate* reported in Acct Code 703 of the 5300 Statement of Condition (***applies to Credit Unions only***) – Bank policy *NOTE: multifamily and commercial real estate loans are eligible for Credit Unions only through the Bank’s Credit Union Collateral Expansion “Opt-in” Program.
- Loans where the collateral value conforming to the regulatory reporting code is substantially less than the unpaid principal balance – Bank policy (An example would be a loan reported for regulatory purposes as a 1-4 family residential mortgage loan yet secured by a residence valued at \$80,000 and extensive acreage valued at \$500,000.)
- Coding Errors that are identified in the Trial Balance using the Member’s Collateral Code Definition as compared to Regulatory Reporting Guidelines, regardless of category haircut value – Bank Policy
- Loans without a perfected lien interest – Federal Regulation and Bank policy
- Real estate loans originated at \$250,000 or more with appraisals that do not conform to FIRREA/USPAP standards – Federal Regulations and Bank policy
- Real estate loans with an original loan amount equal to or greater than \$100,000 but less than \$250,000 without an appraisal or written evaluation statement – Bank policy
- Real estate loans with an original loan amount less than \$100,000 with no documented collateral valuation – Bank policy
- Residential mortgage loans originated on or after 1/10/2014 which fail to comply with the 2014 Consumer Finance Protection Board ruling relative to appraisal requirements for “higher-risk mortgages,” as further described in the FHLB Dallas Member Guidance – Bank policy
- Real estate loans with appraisal/valuation dated more than 12 months prior to loan origination date (or refinance date if additional funds disbursed) – Bank policy
- Real estate loans with appraisals prepared for a non-lending institution – Bank policy
- First Lien Single Family loans with loan to value (LTV) greater than 100 percent – Bank policy
- First Lien Single Family loans with loan to value (LTV) greater than 104 percent on any government insured or guaranteed loan – Bank Policy
- First Lien Single Family FHA/VA/USDA or any other Government Insured/Government Back Guarantee loans that do not have an MIP Certificate, VA Loan Guaranty Certificate or any other government backed guarantee – Bank Policy
- First Lien Home Equity loans with loan to value (LTV) greater than 100 percent – Bank policy
- Second Lien Home Equity loans with combined loan to value (CLTV) greater than 100 percent – Bank policy

- Multifamily, Commercial Real Estate, Construction loans (residential and commercial), Land Loans, Small Business, and Farm loans with a loan to value (LTV) equal to or greater than 85 percent – Bank policy
- Loans secured by commercial income-producing or multifamily real estate without Assignment of Rents instrument (filed of record or included in the Deed of Trust/Mortgage) – Bank policy
- Loans secured by multifamily or commercial income producing property with debt service coverage ratio less than 1.05 – Bank policy
- Loans secured by improved real estate with inadequate hazard insurance or flood insurance as defined in the FHLB Dallas Member Guidance – Bank policy
- Loans secured by residential mobile homes that are not defined as real property – Federal Regulation
- Loans secured by mobile home dealer floor plans – Bank policy
- Dealer floor plan loans secured by titled collateral unless Member has possession of all titles or MSO's – Bank policy
- Loans secured by accounts receivable with aging report dated more than 12 months prior to the date of FHLB's review – Bank policy
- Loans secured by real estate Notes Receivable – Bank policy
- Loans secured by single family residences with an original loan amount equal to greater than or \$250,000 that do not have title insurance or a final opinion of title – Bank Policy
- Texas Home Equity loans exceeding 3 percent fee restriction or maximum 80 percent LTV restriction – State Regulation
- 1-4 family residential loans originated or acquired after July 10, 2007 that are non-compliant with Interagency Guidance for Subprime and Nontraditional Lending (as outlined in Member Guidance) – Bank policy
- Loans secured by 1-4 family, multifamily or commercial real estate which have an outstanding PACE (Property Assessed Clean Energy) lien if the PACE lien is superior to the mortgage pledged to FHLB and the combined loan-to-value (unpaid principal of the mortgage pledged to FHLB plus the unpaid balance of the PACE lien) exceeds 100 percent, or if the PACE loan unpaid balance cannot be determined – Bank policy
- 1-4 family or multifamily purchase transaction loans originated after February 8, 2011 encumbered by a Private Transfer Fee – Bank policy

- All 1-4 family residential principal residence purchase or refinance loans ON OR AFTER 1/10/2014 containing the following provisions (regardless of lien position):
 - ✓ Mandatory Arbitration with respect to dispute resolution – ineligible by Federal Regulation
 - ✓ Single-premium credit life or similar insurance required – ineligible by Federal Regulation
 - ✓ Financing of Credit Life insurance premiums or similar insurance – ineligible by Federal Regulation
 - ✓ Prepayment penalties for early payoff beyond the first THREE YEARS (3) of the loan – ineligible by Federal Regulation
 - ✓ Annual Percentage Rates that exceed the Average Prime Offer Rate (“APOR”) by more than 6.5 percent - ineligible by Federal Regulation
 - ✓ 2nd Lien Purchase or Refinance loans with APRs that exceed the APOR by more than 8.5 percent - ineligible by Federal Regulation
 - ✓ Points and Fees payable by the borrower exceeding 5 percent of the loan amount for loans of \$20,391 or more – ineligible by Federal Regulation
 - ✓ 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 – ineligible by Federal Regulation

- All 1-4 family residential principal residence purchase or refinance loans BEFORE 1/10/2014 containing the following provisions (regardless of lien position):
 - ✓ Single-premium credit life or similar insurance required – ineligible by Federal Regulation
 - ✓ Prepayment penalties for early payoff beyond the first FIVE (5) YEARS of the loan – ineligible by Federal Regulation
 - ✓ Annual Percentage Rates that exceed the rates on comparable maturity Treasury Securities by more than eight (8) percentage points for 1st Liens or more than ten (10) percentage points for 2nd liens – ineligible by Federal Regulation
 - ✓ Points and Fees payable by the borrower exceeding the greater of \$625 (adjusted for inflation) or eight (8) percent of the total loan amount – ineligible by Federal Regulation