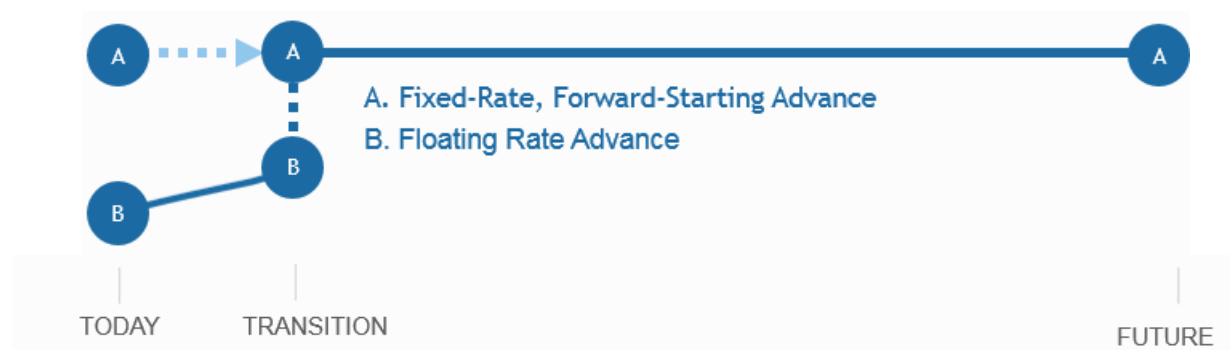




Floating-to-Fixed Rate Funding Strategy Frequently Asked Questions (FAQ)

What is the Floating-to-Fixed Funding Strategy?

The Floating-to-Fixed funding strategy enables a member to combine a Floating-Rate advance with a Fixed-Rate, Forward-Starting advance to achieve a specific purpose, such as match-funding a construction-to-permanent loan.



As illustrated in the chart above, this strategy involves entering into two advances today as follows:

- A.) Fixed-Rate, Forward-Starting advance
- B.) Floating-Rate advance

The Fixed-Rate advance (A) is forward-starting and is scheduled to settle on the same day (“transition” date) that the Floating-Rate advance (B) matures.

Why Take Advantage of the Floating-to-Fixed Funding Strategy?

The potential benefits include locking-in an interest spread and match-funding loans with floating-to-fixed-term structures, such as construction-to-permanent loans. This strategy enables members to be competitive in attracting new customers or serving the needs of existing ones.

How Can I Use the Floating-to-Fixed Funding Strategy?

The Floating-to-Fixed funding strategy is especially useful when matching the structure of construction-to-permanent loans. The Floating-Rate advance is used to fund the construction phase, and the Fixed-Rate advance is used to fund the permanent loan. By scheduling the Fixed-Rate advance to settle on the maturity date of the Floating-Rate advance, members can ensure funding continuity.



Another potential use for this funding strategy is to fund the purchase of long-term assets such as held-to-maturity securities, and take advantage of lower-cost funding in the short-term.

What is a Forward-Starting Advance?

A Forward-Starting advance is designed to meet future liquidity needs. The advance settles at a future date, as elected by the member. A Forward-Starting advance provides an opportunity to lock-in a rate, which can be very beneficial when it is expected that interest rates will rise in the future.

Refer to the Forward-Starting advance materials in the Resource Center on fhlb.com for additional information.

What Type of Advance Could I Use for the Fixed-Rate, Forward-Starting Advance?

Fixed-Rate, Fixed-Term or Principal-Amortizing (PRAM) advances may be forward-starting. Additionally, the Symmetrical Prepayment feature may be added to a Forward-Starting advance.

What Types of Rates are Available for the Floating-Rate Advance?

The Floating-Rate advance may be indexed to LIBOR (4-, 8-, 13- or 26-week DNS).

How are Rates Determined for This Strategy?

For the Floating-Rate advance, the rate would be the elected index rate, plus a spread. For the Fixed-Rate advance, FHLB Dallas advance rates — adjusted for any applicable features and/or options — would apply.

Do I Need to Do Anything After the Strategy is Established?

No. On the transition date, the Floating-Rate advance will mature, and the Fixed-Rate, Forward-Starting advance will be funded. Members are advised to note the transition date, as there will be no notifications from FHLB Dallas prior to the transition.

Can I Prepay the Advances?

Yes. The prepayment fees, if any, will be calculated in accordance with the Member Products and Credit Policy.



Could I Add a Symmetrical Prepayment Feature?

Yes. The Symmetrical Prepayment feature may be added to the Fixed-Rate, Forward-Starting advance. Symmetrical Prepayment pricing applies.

(Note that FHLB Dallas will hedge the Fixed-Rate, Forward-Starting advance, and any Symmetrical Prepayment fee or credit may be adjusted based on the gains or losses associated with terminating the related interest rate swap).

Can I Use This Funding Strategy for Community Investment Program/Economic Development Program (CIP/EDP) Advances?

Yes, provided that the project qualifies for CIP/EDP funding. If the project qualifies for CIP/EDP funding and is funding a construction-to-permanent loan, only the permanent portion may be eligible for CIP/EDP pricing.

Do I Need Capital Stock and Collateral to Support the Forward-Starting Advance Prior to the Transition Date?

No. A member must have sufficient collateral and capital stock on the date the Forward-Starting advance settles (i.e., the transition date).

How Do I Obtain Advances to Build a Floating-to-Fixed Funding Strategy?

Members may take advantage of this strategy by contacting the Member Services Desk at 1.844.FHL.BANK or member.services@fhlb.com, or see fhlb.com.

Where Can I Find Additional Information?

As noted above, contact the Member Services Desk at 1.844.FHL.BANK or member.services@fhlb.com or see fhlb.com.

FHLB Dallas does not act as a financial advisor. Member institutions should evaluate the risks and suitability of products and services offered by FHLB Dallas.