



Member driven.
Community focused.

2021 Targeted Community Lending Plan



I. Introduction

The Federal Home Loan Bank Dallas is a cooperatively owned wholesale financial institution dedicated to serving its member financial institutions and supporting affordable housing and economic growth. The 2021 Targeted Community Lending Plan identifies significant housing and economic development needs and investment opportunities within the communities our members serve. The Bank operates several housing and community investment programs that provide funding our members and their development partners can use to invest in communities, support affordable housing production, assist first-time homebuyers, and finance small businesses, creating longer-term economic and community benefits.

Pursuant to the requirements of 12 CFR 1290.6(a)(5), a Bank's annual Targeted Community Lending Plan adopted under its community support program shall, among other things, identify the significant affordable housing needs in its district that will be addressed through its AHP, as well as any specific affordable housing needs it plans to address through any Targeted Funds as set forth in its AHP Implementation Plan. The Bank is not offering an AHP Targeted Fund in 2021.

II. Market Study and Needs Analysis

The Bank engaged the National Low-Income Housing Coalition (NLIHC) to conduct the 2020 Housing and Economic Development Needs Assessment for the Ninth District. The Bank's 2020 Housing and Economic Development Needs Assessment combines quantitative analysis with a survey of members and community partners to create a comprehensive picture of housing and economic conditions across the District and provide critical feedback regarding FHLB Dallas programs. The goal of the assessment is to facilitate evidence-based decision-making for FHLB Dallas' community investments.

The quantitative data for the Housing and Economic Development Needs Assessment are largely drawn from the 2015 and 2018 American Community Survey (ACS), the Bureau of Labor Statistics (BLS), the Federal Deposit Insurance Corporation (FDIC), and state and local resources throughout the District. In partnership with the Bank, the NLIHC surveyed the Bank's members and community partners to better understand the barriers to homeownership, affordable rental housing, and economic development. The survey supplements the quantitative assessment of housing and economic development needs with invaluable local perspectives.

In addition, the Bank will continue to meet with its Advisory Council, community groups, small business development organizations, state housing agencies and Bank members on a regular basis to discuss District needs. In addition, the Bank continues to enhance its marketing and educational activities for both housing and economic development initiatives.

III. Market Research Analysis Results

Unmet or underutilized opportunities identified by the National Low Income Housing Coalition in the 2020 Housing and Economic Development Needs Assessment for the Ninth District, include:

Housing

- **Provide deeply affordable rental housing.** There is a basic need for rental housing affordable to extremely low-income and very low-income renters in every District state.
- **Keep people housed.** The states have an immediate need for interventions that promote housing stability during the pandemic and subsequent economic recovery. For homeowners, this might be in the form of financial assistance, mortgage counseling, or assistance with critical repairs if resources are limited. Renters will need emergency rental assistance.
- **Expand the supply of permanent supportive housing (PSH).** Homelessness is on the rise in much of the District. Congregate shelters are struggling to meet demand for temporary emergency shelter and practice social distancing during the pandemic. The pandemic makes it clear that access to permanent housing is fundamental to the health of entire communities.
- **Promote sustainable homeownership opportunities.** Facilitating homeownership opportunities is still an important goal. In some communities, and given the right household circumstances and support, homeownership can be a more attractive option than renting for low- to moderate-income households. Homeownership, under the right conditions, can also play a role in narrowing the racial wealth gap.
- **Promote accessible housing.** The District is home to an aging population and a relatively high share of people with disabilities. Supporting home modifications for older homeowners and those with disabilities, as well as universal design in rental housing will promote independent living for these populations and prevent institutionalization.
- **Make communities more resilient to disasters.** There is a longer-term, but urgent need to promote resilience to future disasters. Many renters and homeowners still have not recovered from recent disasters like Hurricane Harvey. These households still need assistance to recover and mitigate against future disasters. At the same time, expanding the supply of deed-restricted affordable housing and community land trusts makes communities more resilient to economic displacement from disasters.

Economic Development

- **Stabilize small businesses.** Small businesses will likely find it much more difficult to cope with the economic disruption of the pandemic than larger firms. While the federal government is providing some level of support through the CARES Act, funding levels and continued availability are uncertain.
- **Support vulnerable workers.** Assistance to small businesses can help workers. However, those who are laid-off or furloughed will need assistance through unemployment. The federal unemployment supplement is set to expire in summer 2020, significantly reducing support for unemployed workers provided by unemployment insurance. There

will likely to a need to continue supplementing what are normally meager unemployment benefits. Unemployed workers can also benefit from retraining.

- **Support substantive workforce development.** Workforce development efforts should focus on education for living-wage occupations such as nursing, trucking, and management that are expected to grow in the District. These efforts could take the form of supporting vocational training or college programs that place graduates in jobs. Having an educated workforce also makes communities more attractive to investment from outside firms without sacrificing future tax revenue for incentives.
- **Improve access to mainstream financial services.** Many people in the District are unbanked or underbanked because they lack physical access to mainstream financial services or have a history of poor financial standing. Access to online banking services may help resolve issues with physical access, while credit unions have an important role to play in engaging people underserved by traditional financial institutions.

IV. Technical Assistance

The Bank provides extensive technical assistance for program users through workshops conducted around the Ninth District, and daily through telephone and electronic communications. Specific activities include the following:

1. **Members Regional Workshops & Webinars:** In the first quarter of 2021, FHLB Dallas Plans to conduct five training workshops. Due to the COVID-19 pandemic the Bank expects to conduct workshops via webinar.
2. **Banking Conferences:** Also, during 2021, the Bank staff will participate in and attended regional banking conferences. Below is a partial list of conferences staff will engage members about the Community Investment Programs of the Bank:
 - a. Arkansas Bankers Association Annual Convention
 - b. Louisiana Bankers Association Annual Convention
 - c. New Mexico Bankers Association Annual Convention
 - d. Mississippi Bankers Association Annual Convention
 - e. Texas Banker Association Annual Convention
 - f. Independent Bankers Association of Texas Annual Convention
 - g. Independent Community Bankers Association of New Mexico Annual Convention
 - h. Community Development Bankers Association Peer Forum
3. **Housing Conferences:** Also, during 2021, the Bank staff will participate in and attend housing conferences to not only provide information about the Bank's community investment programs, but also to stay informed of housing issues. Below is a partial list of conferences to be attended:
 - a. Texas Association of Community Development Corp. Annual Conference
 - b. Texas Habitat for Humanity Housing Summit
 - c. Texas (TAAHP) Housing Conference
 - d. Mississippi Affordable Housing Conference
 - e. Louisiana & Mississippi Association of Affordable Housing Providers Annual Housing Summit

- f. Louisiana Housing Corporation (LHC) Annual Conference
- g. New Mexico Mortgage Finance Authority Bi-Annual Housing Summit

Due to the COVID-19 pandemic the Bank expects to participate in these banking and housing conferences virtually until such time that it is viable to attend in person during 2021.

- 4. Webinars:** The Bank has increased the number of webinars offered to market our products as well as provide technical assistance. During 2020, the Bank offered webinars on Small Business Boost, the AHP, HELP, PGP, DRA, and SNAP programs. We expect to offer webinars in 2021 covering similar program content.
- 5. Technical Assistance:** The Bank staff is available daily to assist members, nonprofit organizations, local governments, for-profit developers and community groups with assistance for affordable housing and community development projects.

V. Programs for 2021

The Bank offers the following programs:

- 1. Housing programs:
 - a. Affordable Housing Program General Fund (AHP)
 - b. Homebuyer Equity Leveraging Partnership (HELP)
 - c. Special Needs Assistance Program (SNAP)
 - d. Disaster Rebuilding Assistance Program (DRA)
 - e. Community Investment Program (CIP)
 - f. Housing Assistance for Veterans Program (HAVEN)
- 2. Community Development programs:
 - a. Economic Development Program (EDP)
 - b. Small Business Boost (SBB)
 - c. Disaster Relief Program (DRP Advance)
 - d. Partnership Grant Program (PGP)

The Bank may offer additional assistance programs in events of major natural disasters. These programs are provided on a case by case basis depending on the size and scope of the disaster.

VI. Lending Programs

The Bank offers two primary Advance Programs throughout the year. These are the CIP and EDP Advance programs. Letters of Credit are also offered under the CIP and EDP.

1. CIP provides favorably priced advances to support the financing of housing benefiting families with incomes at or below 115 percent of the area median income.
 - a. CIP Advances can be used to:
 1. Purchase, refinance, construct or rehabilitate individual owner-occupied housing properties that benefit families with incomes at or below 115 percent of the area median income
 2. Purchase, refinance, construct or rehabilitate rental housing or multiple units of owner-occupied housing where at least 51 percent of all families have incomes at or below 115 percent of the area median income
 3. Purchase state housing finance agency bonds or mortgage-backed securities representing pools of loans that could be funded directly with CIP advances
 4. Purchase a participation interest or provide financing to participate in a loan consortium for housing projects
 5. Purchase low-income housing tax credits
 6. Make loans to entities that, in turn, provide funding for eligible housing projects
 7. Fund CIP eligible loans that originated 3 months prior to CIP advance
 - b. Funds are available throughout the year on a non-competitive basis
 - c. CIP advances may not exceed, at the time the advance is approved the lesser of 15 percent of a member's total assets, or \$200 million

2. EDP assists Bank members with financing projects that lead to job creation or job retention for low- and moderate-income wage earners or provide services to low- and moderate-income families and communities.
 - a. Types of Economic Development Projects:
 1. Commercial, industrial, and manufacturing activities
 2. Social service and other community or public facility projects and activities
 3. Public or private infrastructure projects, such as roads, utilities, and sewers
 - b. Funds can be used to:
 1. Fund permanent financing to the borrower for economic development projects
 2. Purchase a participation interest or provide financing to participate in a loan consortium for economic development projects
 3. Make loans to entities that, in turn, make loans for economic development projects
 4. Purchase mortgage revenue bonds or mortgage-backed securities, where all loans financed by the bond or all loans backing the securities meet EDP requirements
 5. Fund EDP eligible loans that originated 3 months prior to EDP advance
 - c. EDP advances may not exceed, at the time the advance is approved the lesser of 15 percent of a member's total assets, or \$200 million

3. Disaster Relief Program (DRP) Overview: The DRP was created to finance any project which assists in the recovery efforts in federally declared disaster areas in the Bank's

district. The purpose of the program is to help aid families and individuals whose homes or businesses were damaged or destroyed by natural disasters.

- a. Funds are available for a period designated by the Bank following a federal disaster.
- b. Funds can be used for residential and commercial properties, community facilities, equipment, inventory, and personal property.
- c. Advances terms range from 3 months to 30 years.
- d. Disaster Relief advances are priced below the Bank's regular Economic and Community Development Program rates which are already priced at the Bank's cost of funds.
- e. Income eligibility limits for Advances are expanded to 165% of the area median income.
- f. Member institutions and their customers that are in or have branch offices in the federally designated disaster area(s) may borrow under this program.

VIII. Community Investment Products

The Bank continually assesses the needs of its members and offers new products and services when market research indicates a need. These programs were established to address the identified needs of the Bank's district and are adjusted as needed utilizing the 2020 District Needs Assessment Report with input from Advisory Council, community groups, small business development organizations, state housing agencies and Bank members.

1. Small Business Boost (SBB) is intended to fill the gap between what the member can approve and the loan requested by an eligible small business. SBB funds are disbursed through members to small businesses as secondary, unsecured loans. Upon approval, the Bank provides SBB recoverable assistance to the member, which then in turn makes the SBB loan to the small business. SBB funding is available on a first come, first served basis for transactions that meet the following guidelines:
 - a. Borrower must be qualified as a small business based on Small Business Administration standards
 - b. Member must provide at least 40 percent of total financing
 - c. The maximum SBB loan amount is \$100,000 or 50 percent of the member loan to the small business, whichever is less
 - d. At least one job must be created or retained for every \$50,000 in SBB funding or the member may provide evidence of other positive economic impact as result
 - e. Member must demonstrate how the SBB funds will be used to fill the gap when there is a lack of equity, collateral shortage, or challenges with initial cash flow
 - f. Businesses may obtain only one SBB loan

2. Partnership Grant Overview: Developed to enhance capacity building for community-based organizations involved in affordable housing programs and small business technical assistance providers within the district.
 - a. Funds are allocated to members through a lottery system.
 - b. Due to the COVID-19 Pandemic, \$2.3 million in Special Partnership Grant funds were made available in 2020 with varying requirements.
 - c. Member institution cash contribution of \$500-\$4,000 will be matched at a 3:1 ratio up to a maximum lifetime grant. No in-kind contributions or donations will be matched.
 - d. Eligible community-based organizations must have an annual revenue at or below the revenue limit noted in the application instructions.
 - e. \$400,000 in Partnership Grant funds is available in 2021.

3. Housing Assistance for Veterans Overview: Developed to assist households who have an occupant who became disabled as the result of their active military service since September 11, 2001. Grant recipients must be qualified as disabled by the Veteran's Administration, a branch of the U.S. Military, the Federal government or other acceptable source. The program is designed to support necessary home modifications and is open to active duty personnel as well as veterans.
 - a. Grant recipients must be qualified as physically disabled or be identified as a Gold Star Family since September 11, 2001 by the Veteran's Administration, a branch of the U.S. Military, the Federal government or other acceptable source.
 - b. HAVEN funds may not exceed \$10,000 per household.
 - c. Households must have a family income of 165% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's program.
 - d. If a home is being newly constructed and adapted to meet the needs of the veteran or service member, HAVEN funds may be used to offset construction costs.
 - e. \$300,000 in HAVEN funds is available in 2021.

4. Homebuyer Equity Leverage Partnership Program Overview: Developed following research that showed the biggest barrier to homeownership for many prospective first-time buyers in the Ninth District was the challenge to accumulate enough savings for a down payment.
 - a. Funds are available for first-time homebuyers for down payment and/or closing costs. (not to exceed \$10,000 per homebuyer).
 - b. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's Homeownership Set-Aside program.
 - c. Homebuyers are required to complete a homebuyer education course.
 - d. 4,500,000 in HELP funds is available in 2021.

5. Special Needs Assistance Program Overview: Developed to assist special needs households to rehabilitate a single-family home which is used as the household's primary residence. Special Needs means households with elderly, persons with disabilities, persons recovering from physical, alcohol or drug abuse, or persons with HIV/AIDS.
 - a. Only special needs households are eligible. The household will qualify if at least one household member meets the special needs definition.
 - b. SNAP funds may not exceed \$7,000 per household.
 - c. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted for enrollment by the member in the Bank's Homeownership Set-Aside program.
 - d. \$2,500,000 in SNAP funds is available in 2021.

6. Disaster Rebuilding Assistance (DRA) Set Aside Program: In response to recent disasters within the District, the Bank may establish and offer the Disaster Rebuilding Assistance Program as an AHP Homeownership Set-Aside program under which the Bank disburses AHP direct subsidy to assist households affected by a disaster event in federally declared disaster areas within the District.
 - a. Property must be used as a household's primary residence and be in an area in the Bank's district designated for Individual Assistance by the Federal Emergency Management Agency (FEMA) within the timeframe set by the Bank.
 - b. Reimbursement for repair or replacement work is limited to assistance not already paid for by insurance, federal or state emergency assistance or any other funding sources.
 - c. Funds are available on a first come, first served basis not to exceed \$10,000/homeowner.
 - d. Households must have a family income of 80% or less of the median income for the area at the time the household is accepted into enrollment.
 - e. \$500,000 in DRA funds is available in 2021.

7. Affordable Housing Program General Fund (AHP) Overview: AHP funds are intended to assist FHLB Dallas members in financing the purchase, construction and/or rehabilitation of owner-occupied, rental or transitional housing, as well as housing for homeless individuals in their community. AHP funds must be used to benefit households with incomes at or below 80 percent of the median income for the area. Since the AHP's inception in 1990, FHLB Dallas has awarded more than \$300 million in AHP and AHP set-aside programs, such as HELP and SNAP, have assisted more than 53,500 households. The funding allocation for the AHP General Fund will be announced in the first quarter of 2021.

The Banks' AHP General Fund is more fully described in the Bank's AHP Implementation Plan which can be found at [fhlb.com/community-programs](https://www.fhlb.com/community-programs).

VIII. 2020 Goals & Results

1. Disburse \$2.5 million in small business boost funds to encourage small business lending throughout the district. **Result:** \$2.935 million was disbursed to members to support their small business customers in 2020.
2. Disburse HELP funds through a minimum of 60 different members to support member's community activity throughout the district. **Result:** 61 members utilized the HELP program
3. Disburse SNAP funds through a minimum of 45 different members to support member's community activity throughout the district. **Result:** 57 members utilized the SNAP program
4. Conduct 7 member/sponsor outreach workshops throughout the district to increase awareness and participation in AHP Competitive and Set-aside programs. **Result:** 7 Workshops were conducted. Four in-person workshops in Dallas, Houston, Austin, and New Orleans. Three Webinars were conducted to replace in-person workshops cancelled by the COVID-19 pandemic
5. Attend, financially support, or participate in a minimum of twelve housing conferences conducted by third-party housing organizations throughout the district. **Result:** Despite cancellations and changes from in-person to virtual events, the Bank was able to participate in 9 housing conferences during 2020. In addition, the Bank maintained its financial support to two other conferences that were cancelled in March and April of 2020 so that the housing organizations could continue their efforts without interruption.
6. Participate in at least 25 sponsor or member related community investment events. (e.g. check presentations, groundbreakings, grand openings) **Result:** Participated in 6 member events despite the COVID-19 pandemic. Due to the COVID-19 pandemic, the Bank restricted business travel for its employees from early March through the end of 2020.

IX. 2021 Goals

Lending

1. Commit **\$3.0 million** in **Small Business Boost** funds to members to encourage small business lending throughout the district.
2. Fund **55 CICA advances (CIP/EDP)** to members.

Member Engagement

3. Disburse **HELP** funds through a minimum of **60 different** members to support member's community activity throughout the district.
4. Disburse **SNAP** funds through a minimum of **50 different** members to support member's community activity throughout the district.

Outreach and Education

5. Conduct 5 member/sponsor AHP **workshops via webinar** to increase awareness and participation in AHP General Fund and Set-aside programs.
 - a) Promote the workshops to members and housing associate members to reach 61 unique members as measure by AHP workshop webinar attendance
6. **Participate in a minimum of 6 housing and/or economic development conferences** conducted by third-party housing organizations throughout the district. These events may be virtual or in-person.

X. 2021 Initiatives

1. Collaborate with the Bank's Corporate Communications, Member Services and Member Sales Departments to highlight community development funded projects, continue to develop greater awareness of the Bank's community development contributions, and expand community development relationships with members, housing associate members, public officials, state housing finance agencies, housing organizations and community leaders.
2. Promote CIP and EDP advances and letters of credit to the Bank's membership. The Bank will promote the use of these products with its members including how they can be used to support historically underserved communities as well as communities of opportunity
3. Support members' efforts to rebuild communities damaged by natural disasters and house displaced individuals and families as the need arises. Given the number of Hurricanes striking the district in 2020, providing needed assistance to our member's communities impacted by these natural disasters remains a priority.
4. Educate and provide technical assistance regarding the AHP with special attention on changes to the AHP regulations and the Bank's new AHP Grant Connect application system that will be used to submit AHP General Fund applications to the Bank.

XI. Conclusion

These goals and initiatives coupled with the programs described here-in help the Bank provide resources to our financial institution members to meet the needs in their communities as well as address those needs identified in the 2020 District Needs Assessment Report. With regard to the focal points of the Community Lending Plan Goals: Lending, Member Engagement, and Outreach & Education, the following describes how our Community Investment products and advances address the identified needs in the Bank's district:

Lending: The advance programs along with the Bank's Small Business Boost program provide members low cost financial options to support small businesses and economic development throughout the Bank's district. The programs address the identified Economic Development needs of Stabilizing Small Business, Support for vulnerable workers and Support workforce development by providing members with multiple options to fund small business lending.

Member Engagement: Having a wide variety of members enrolled in and utilizing the Bank's Community Investment programs, increases the opportunity to more broadly address the range of needs identified in the Bank's District Needs Assessment. Continuing to engage our membership with the HELP program promotes sustainable homeownership by supporting lending to first time homebuyers, while member engagement in SNAP helps address the identified needs to keep people housed and support accessible housing.

Outreach and Education: Given the changes to the AHP regulation, the Bank's new AHP Grant Connect system for accepting applications for the AHP General Fund in 2021 and the ongoing impact of the Covid-19 pandemic, education and outreach to our members and their community members is important to the success of our programs in addressing the needs in the Bank's district. With regard to disaster resiliency, our ability to effectively communicate and deliver assistance to our members on a timely basis is critical whether through the DRA or DRP programs or a more tailored approach to each event such as the Special Partnership Grant Program in response to COVID-19 or the Hurricane Recovery Grant program that assisted member employees that were harmed by hurricanes Laura and Delta in 2020. The Bank also supports the financial education of low- to moderate-income people by not only supporting non-profit organizations that provide this training through the Partnership Grant Program, but also by providing funds to support homebuyer education via the HELP program. Financial education is an important part of improving access to traditional financial services for low- to moderate-income people.

Lastly, the Bank will address the needs for deeply affordable rental housing and specifically permanent supportive housing via the AHP General Fund. The Bank in consultation with its Affordable Housing Advisory Council has adjusted scoring aspects of the 2021 AHP General Fund scoring to further support both needs. First, the Implementation Plan provides more points in the Bank District Priority section for rental housing projects. To address the need for permanent supportive housing in the district, the Bank chose to retain a scoring category for homeless housing for 2021. The Bank also recognizes that the cost of developing affordable rental housing, including permanent supportive housing, is increasing. As such, the Bank has also increased the AHP subsidy per unit for rental projects to achieve the highest score within the Bank District Priority category. Details of these changes may be found in the Bank's 2021 AHP Implementation Plan located at fhlb.com/community-programs.

This Targeted Community Lending Plan was reviewed and approved by the Bank's Board of Directors on December 3, 2020.