



May 28, 2003

Mr. Henry Flores, Chairman  
Federal Home Loan Bank of Dallas  
Post Office Box 619026  
Dallas, Texas 75261-9026

RE: Implementation of Federal Home Loan Bank of Dallas Capital Plan (2003-APP-08)

Dear Mr. Flores:

On June 12, 2002, the Board of Directors of the Federal Housing Finance Board (Finance Board) approved the capital plan of the Federal Home Loan Bank of Dallas (Bank), subject to approval of the Bank's risk assessment procedures and controls and its internal market risk model pursuant to 12 C.F.R. § 932.1. The Finance Board approved the Bank's market risk model on January 13, 2003. See Approval Letter 2003-APP-02.

As part of our regular examination of the Bank that commenced October 28, 2002, we reviewed the Bank's risk control environment. During the examination we [REDACTED]

These actions and representations adequately address our concerns regarding [REDACTED]. Thus, pursuant to 12 C.F.R. § 932.1, we hereby approve the Bank's risk assessment procedures and controls. The Bank now has the necessary approvals to implement its capital plan.

Our approval of the Bank's risk assessment procedures and controls is based on the information, representations and commitments made by Bank management. Any material change in the information, representations or commitments, or in the Bank's business plan or operations, prior to the Bank's conversion to its new capital plan, would be a cause for us to modify, change or rescind our approvals.

Sincerely,

*/s/ Stephen M. Cross*

Stephen M. Cross  
Director, Office of Supervision

cc: Terry Smith, President