



BANK AT HOME

PremierBank

TT&L
021

Handwritten signature and date: JSS 8/31/99

August 31, 1999

Cynthia L. Johnson, Director
Cash Management Policy & Planning Division
Financial Management Service, Room 420
401 14th Street, SW
Washington, D.C. 20227

Dear Ms. Johnson:

The following is in response to proposed amendment to Treasury Tax & Loan Rate on Interest.

This bank has participated in the Treasury Tax & Loan Note option for many years at little or no profit, mainly as a service to our customers. The problem requires time on the part of our staff and also entails some risk. The latter occurs when the bank is held responsible for funds deposited into the T T & L account even if the check was NSF. This aspect requires continuing training and diligence on the part of our staff.

Since the Treasury can call funds in T T & L account at its option, it is difficult to invest in other than Federal Funds. By making the next note paid the same as note received, there is no margin to cover any overhead.

The current spread of 25 basic points is minimal but usually is at least a positive spread. I reviewed the Federal Funds rate received by their bank for the past 30 days and many times the note received is less than the published note used in the T T & L calculations. PremierBank actually lost money on a few days by anything T T & L deposited.

If the note paid is increased from the current level, PremierBank will seriously consider ending its participation in the T T & L Investment program.

Very truly yours,

Jim Schafer
President

Cc: JSS/T T & L

JSS/dw

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