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TT&L
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First National Bank
of Illinois
3256 Ridge Road
Lansing, IL 60438-3194
(708) 474-1300

Thomas C. Cornwell
Senior Vice President and Chief Operating Officer

September 16, 1999

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

Re: **Proposed amendment to
Treasury Tax and Loan
Rate of Interest**

Dear Ms. Johnson:

The First National Bank of Illinois is a \$290 million National Bank located in far southeast Cook County Illinois. For some time we have participated in the Treasury Tax and Loan Program with a self imposed limit of \$6,800,000.00. Normally the TT & L funds deposited with us are invested in overnight Fed funds. Occasionally, if we are buying Fed funds rather than selling Fed funds, we will utilize the TT & L deposits to reduce our purchases. In as much as we are a small community bank located in a large metropolitan area we seldom receive the published Fed funds rate for the sale of overnight funds actually receiving something less than that rate. As a result your current practice of pricing TT & L deposits at the Fed fund rate minus 25 basis points results in less than 25 basis points of margin for us. Given the current spread it is arguably not advantageous for us to participate in the Treasury Tax & Loan depository program. Should the cost of TT & L deposits increase from the current level it is likely that we will choose to not participate in the program.

It is our understanding from communications with peers that many banks our size have chosen not to participate now given the current cost of TT & L deposits.

We strongly urge you not to increase the cost of TT & L deposits.

Very truly yours,

Thomas C. Cornwell
Sr. Vice President and
Chief Operating Officer

TCC/jr