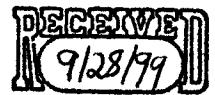




West View Savings Bank

Town of McCandless • 9001 Perry Highway, Pittsburgh, Pennsylvania 15237-5387



(412) 364-1911

TT&L
039

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

September 24, 1999

Dear Ms. Johnson:

I am writing to you to express my views on the Proposed Amendment to the Treasury Tax and Loan Rate of Interest as attached to the Federal Reserve Bank of Cleveland's Circular Letter 99-56.

The Treasury's stated goals of providing depositories "with an easily understandable rate which will be publicly available" and providing a "readily accessible indicator on which to estimate the cost of funds" are laudable. However I am gravely concerned with the disparate impact of this proposal on small and medium sized depositories. Based upon my experience in shopping repurchase agreements in the \$1 million to \$10 million range, with a variety of primary dealers and the Federal Home Loan Bank System, our bank has never been able to affect a 2 basis point difference. Smaller market participants, such as West View Savings Bank, are unable to command Treasury's level of pricing from the primary dealers due to the lack of economies of scale. Small to medium size financial institutions accommodate small businesses who generally deposit small tax payment coupons. It seems grossly unfair to penalize small to medium sized financial institutions from a cost of funds standpoint since we are already burdened by processing a relatively large number of small dollar tax payment coupons. Treasury's operating cost reimbursement rate does not fully compensate our bank and we depend upon the current interest factor to help us break-even.

From a participation standpoint West View Savings Bank will seriously reconsider our continued role as a depository – simply put, we cannot afford to use this program as a "loss leader" to segue other bank small business products. This is particularly troubling since our bank has recently increased our note balance option from \$1 million to \$3 million in tangible support of small

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Loan Division (412) 935-7400

businesses in our local community and to the Treasury's need to invest temporary surplus funds.

With respect to obtaining TT&L note balances for a guaranteed term, our bank is most interested in further exploring this concept. If priced fairly, and not on terms that only much longer participants could achieve with primary dealers, we would seriously entertain a guaranteed term note option.

In closing, I believe that Treasury's Proposed Amendment would disproportionately impact small to medium sized depositories. Our bank would most probably withdraw from the TT&L program unless we would receive a larger operating cost reimbursement. Notwithstanding the foregoing comments, we would generally welcome a guaranteed term to the note option, subject to an economical and fair interest factor.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Bursic". The signature is stylized with large, overlapping loops and a long, sweeping tail that extends to the right.

David J. Bursic
President and
Chief Executive Officer