



TT&L
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PA
9/22/99

PAUL A. LARSEN
Executive Vice President
Chief Financial Officer
Treasurer

Date: September 22, 1999

To: Ronald J. Piatek
Seventh District TT&L Manager

From: Paul A. Larsen *PA*
Chief Financial Officer
CoVest Banc

Subject: Comments on the Proposed Amendment to Treasury Tax &
Loan Rate of Interest

Issue #1: Stop the use of the Fed funds rate minus 25 basis points and begin using a published overnight repurchase agreement rate.

On the current TT&L program, the TT&L depositories have no control over the amount and timing of investments. Although the nature of the investments are somewhat similar to a repurchase agreement, the investments being collateralized, the impact of timing and amount is great to a depository's cash management. Depository is aware of maximum investment it can take but the investments do not come in one lump and the length of time the investments are left with the institution is not definite. If the difference in rate between a regular repurchase agreement and the proposed TT&L rate is 2 basis points, it is more advantageous for an institution to enter into a repurchase agreement with a dealer where the amount is defined for any given day.

Issue #2: TT&L note balances for a guaranteed term.

This will be beneficial to a depository as cited in #1. TT&L investments will be a vital aspect of cash management.

