

September 17, 1999

CFA  
9/23/99Funds Management Group  
University Corporate Center  
1100 Reynolds Blvd.  
3rd. Floor, Section C  
Winston-Salem, NC 27105

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

Dear Ms. Johnson:

I am responding to the proposed Amendment to the Treasury Tax & Loan Rate of Interest.

Branch Banking and Trust Company is within the Richmond district of the Federal Reserve Bank. We currently have Direct Investment lines at our three primary affiliate banks of \$1 billion, \$10 million, and \$6 million. In addition, we are contemplating raising the line at one of the smaller affiliates to \$250 million because of recent acquisitions. We also set up Special Direct Investment lines this year that total approximately \$2 billion.

Our short term borrowing position can be volatile depending upon the activity from Direct Investment and Special Direct Investment. One of the main reasons we have been willing to accept the potential volatility within our overnight position is the fact that TT&L/Direct Investment/Special Direct Investment balances are at a lower cost than Fed funds. Should the pricing change to more closely mirror overnight repurchase or Fed fund rates, I believe our best course of action would be to bring the control of how much is borrowed back to the bank. That is, if we would not be compensated for the option the Treasury currently owns regarding when and how much we borrow, we would be more inclined to be able to control the timing of borrowing. It would be in the bank's best interest to control when, where, and how we best use our collateral when borrowing in the short-term markets given a relatively equal cost of funds. Should the proposed rate of interest change not be passed, we look forward to our continued involvement in this program.

One would suspect that whether or not you receive comments from a majority of the banks participating in these programs, the activity across the country would diminish considerably should the pricing change. I would envision many banks dropping out of the Direct Investment program to favor the Special Direct Investment program. However, involvement in that program requires a higher degree of operational work from a bank and participation in the Borrower In Custody program. As you know, collateral

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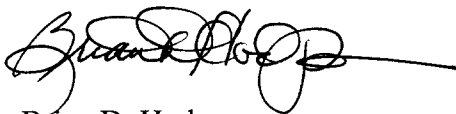
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under Special Direct Investment programs may be loans that a bank may not be able to utilize in the repurchase market. Investment securities utilized in the Direct Investment program can be used in the dealer repurchase market at comparable rates to the proposal, and banks may opt for controlling the timing of such borrowings.

In conclusion, BB&T would need to reassess its involvement in TT&L/Direct Investment/Special Direct Investment programs should this proposal be adopted. Our decision would entail looking at lowering our caps or possibly reverting back to the remittance option, and reviewing the operational costs versus the benefit of the Special Direct Investment program using loan collateral given the historical infrequent usage of this program.

**Please consider this as strongly opposing the proposed rule to change the Treasury Tax and Loan Rate of Interest.**

Sincerely,

A handwritten signature in black ink, appearing to read "Brian D. Hodgson", with a long horizontal flourish extending to the right.

Brian D. Hodgson  
Vice President

Cc: Michele Clewis  
Donna C. Goodrich