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OHIO CREDIT
UNION LEAGUE

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Comments On Department Of Treasury's Proposed Regulation Governing The Treasury Tax and Loan Program

The Ohio Credit Union League, ("OCUL"), the trade association in Ohio representing 561 credit unions, both federal and state chartered, appreciates the opportunity to comment on the Department of the Treasury's ("the Treasury") proposal to amend its regulation on governing the Treasury Tax and Loan ("TT&L") program. This newest regulation would change the interest rate the Treasury charges on TT&L note balances to an overnight repurchase agreement rate.

Credit unions are member-owned financial cooperatives governed by unpaid volunteers that predominately engage in various financial services to their members, particularly in making available loans and credit. As stated above, the Treasury has proposed revising its regulation regarding the TT&L program.

The TT&L program has two separate components: a depository component through which the Treasury collects Federal tax deposits and payments from business taxpayers for employee withholding and other types of taxes, and an investment component through which the Treasury invests short-term operating balances not needed for immediate cash outlays. More than 1,500 of the TT&L depositories borrow excess short-term Treasury operating funds by participating in the investment component of the TT&L program.

The interest rate that Treasury charges on a note balance for a TT&L depository is 25 basis points below the Federal funds rate. The Federal funds rate is the interest rate at which financial institutions exchange balances in their accounts at the Federal Reserve with each other on an overnight, unsecured basis. The TT&L rate was set as an approximation of the rate on overnight repurchase agreements and the two rates have moved roughly in tandem.

Treasury proposes that the Federal Reserve Bank of New York (FRBNY) compile and publish a volume-weighted average overnight repurchase agreement rate. Treasury proposes that the FRBNY compile this rate from data it would obtain from its domestic open market counter parties (the primary dealers) regarding the volume-weighted average overnight rate the primary dealers paid to finance general collateral securities. Treasury requests comments on this proposed methodology. In addition, Treasury proposes that the Federal Reserve publish an overnight repurchase agreement rate on

a basis similar to that used to publish the Federal funds rate. The Federal funds rate is published weekly.

In reviewing this proposed amendment to the regulation, OCUL will consider the following three questions.

1. Should Treasury use the methodology that it proposes for determining the overnight repurchase agreement rate? If not, what methodology should it use?

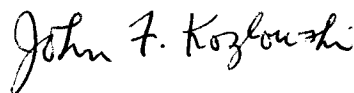
In reviewing the proposed formula to determine the overnight repurchasing agreement rate, it is OCUL's opinion that the rate calculation appears to be reasonable.

2. Are depositories likely to change their participation in the investment component of the TT&L program if the interest rate is changed to an overnight repurchase agreement rate? If so, by how much?

It is OCUL's opinion that there will not be significant changes in the participation of the depositories that participate in the investment component of the TT&L program if the interest is changed to an overnight repurchase agreement. Furthermore, historically, it has been shown that existing rates and proposed rates have been similar.

The Ohio Credit Union League appreciates the opportunity to comment on the Treasury's proposed regulations governing the TT&L program and would be willing to work with the Treasury in formulating the final regulation. If you have any questions, comments or if the League can be of additional assistance, please do not hesitate to contact us.

Respectfully submitted,



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