

Marion

STATE BANK

Handwritten: 7/20/99 TT&L 004
Richard J. Pamperin, President

August 16, 1999

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

RE: Proposed Amendment to Treasury Tax & Loan Rate of Interest

Dear Ms. Johnson:

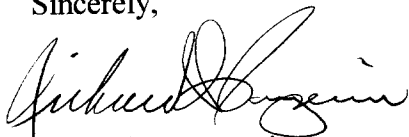
We have recently been made aware that the U.S. Treasury is proposing a change in the rate of interest charged on TT&L deposits. We understand the proposed change would discontinue the use of the Fed Funds rate minus 25 basis points and that the Treasury would begin using a published overnight repurchase agreement rate which would result in our banking paying, on average, an additional 23 basis points for the use of Treasury funds.

If this rule change is made, we would probably discontinue participation in the TT&L Investment Program. We have always viewed the Treasury's Investment Program as a positive benefit for community banks. We are disappointed that this program is possibly going to be phased out in the future.

We may be interested in participating in some type of TT&L note balance program for guaranteed terms. Another suggestion would be to tier the rates based on maturities of one month, two months, six months, etc. This would certainly assist us with our cash management.

However, if these programs only allow for a 2 basis point spread, it would just not be feasible for our bank to participate.

Sincerely,



Richard J. Pamperin
President

RJP/sm