

Citizens Bank
101 N. Washington Avenue
Saginaw, MI 48607



Handwritten signature
9/7/99

TT&L
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September 9, 1999

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

Dear Ms. Johnson,

This letter is regarding the proposed changes to the TT&L Note Option program and the rate of interest that would be charged for use of Treasury funds. As proposed, the rate would change from the use of Fed Funds rate less twenty-five basis points to a published overnight repurchase agreement rate. It would appear that the proposal would eliminate any incentive to participate in the Note Option program as it currently exists. Citizens Bank is more apt to seek funds from sources not requiring collateral. If the need should arise to enter the repurchase agreement market, the Bank would pursue use of "Street" repo, where execution would be more favorable, especially on an overnight basis.

The methodology currently used would be unacceptable at the new rate. The current program is inflexible with regards to the valuation of collateral, the time and paperwork required for participation or change of participation and the uncertainty of funds available as opposed to the amount of collateral required for maximum exposure.

The rate of interest charged for funds should contain some type of discount for the inflexibility of the system. If the Treasury should maximize participants' borrowings and cause excess liquidity in the system, participants may incur losses on the arbitrage for the day. With regard to a guaranteed program, we would like to see details before commenting. However, with just a higher cost of funds and no other changes to the program would limit our ongoing participation.

Sincerely,

Handwritten signature of Edward P. Majask
Edward P. Majask, SVP
Senior Investment Officer