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9/24/99

September 20, 1999

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

Dear Ms Johnson:

SUBJECT: PROPOSED AMENDMENT TO TREASURY TAX & LOAN RATE OF INTEREST

National City Corporation currently has five banks that are Treasury Tax & Loan Note Option Depositories. All five banks are also participants in the Special Direct TT&L Program. The combined maximum of the banks totals over \$3 billion in regular TT&L and over \$8 billion in Special Direct capacity. The current proposal by the Treasury is to change to the rate of interest charged TT&L Depositories for the use of Treasury funds from the Fed Funds rate minus 25 basis points to a rate, on average, that would be 23 basis points higher. Should the Treasury Department adopt this proposal, National City Corporation would immediately discontinue its participation in both the Note Option and Special Direct programs.

The Fed Funds rate is the benchmark cost of unsecured funds for banks. National City believes that the Treasury Department's current pricing of Fed Funds less 25 basis points is the appropriate cost for collateralized borrowing for our banks and should be retained. The overnight repurchase agreement rate referenced in the proposal is more representative of a primary security dealer's cost of collateralized borrowings.

National City would have an interest in obtaining TT&L note balances for guaranteed terms. The guaranteed term would have to be longer than one week and the rate much closer to the current rate rather than the proposed two basis points under Fed Funds.

As always, National City welcomes the opportunity to comment on proposed changes to the Treasury Tax & Loan Program.

Sincerely,



Gwendolyn O. Ronald
Vice President
Funding Manager

cc: J. Andrew Dunham
Federal Reserve Bank of St. Louis
Federal Reserve Bank of Cleveland
Federal Reserve Bank of Chicago