

TT&L
054CJA
9/28/99

September 28, 1999

Cynthia L. Johnson
Director, Cash Management Policy and Planning Division
Financial Management Service, Room 420, 421
14th Street, SW
Washington, D.C. 20227

Re: 31 CFR Part 203, *Payment of Federal Taxes and the Treasury Tax and Loan Program*

Dear Ms. Johnson:

Western Corporate Federal Credit Union (WesCorp) appreciates the opportunity to comment on the U.S. Treasury's proposed rule change regarding the rate of interest charged Treasury Tax & Loan (TT&L) depositaries for the use of Treasury funds.

WesCorp is the largest of 36 corporate credit unions in the nation, providing financial services for credit unions including investments, credit, item processing and electronic payment services to more than 900 credit unions in our field of membership, which is the nine Western states. The views expressed in this letter represent only those of WesCorp.

WesCorp is a \$12 billion corporate credit union and a participant in the TT&L program for six years. Currently, our participation is capped at \$1.1 billion, which allows us to leverage unused capital.

Because TT&L deposits can be called with same-day notification, WesCorp invests these funds in overnight alternatives—primarily fed fund based investments. This allows us to earn a minimal return of 20 basis points, significantly lower than the spread on term funding. An even lower spread would not allow WesCorp to continue to receive TT&L note balances.


Treasury's proposed change to an overnight repurchase agreement rate would effectively increase the yield to the Treasury at the expense of the participants. To retain an acceptable return, WesCorp would have to take interest rate risk by running mismatches against term investments. This would entail added costs in capital allocations and operating expenses, as well as potentially increased staff. We do not view this as an effective use of WesCorp's resources.

Under the proposed rule change, we would at times, be operating at a loss if we were to continue to receive TT&L note balances. Unless WesCorp can—with minimum operating overhead—receive TT&L note balances with a reasonable expectation of a 20 basis point return, then WesCorp cannot justify continuing participation in the TT&L program to our members.

WesCorp comment letter
Treasury proposed rule 31 CFR Part 203
Page 2

Thank you again, for the opportunity to comment on Treasury's proposed rule change.

Respectfully,


Richard M. Johnson
President/Chief Executive Officer
WesCorp