

Wachovia Bank, N.A.  
100 North Main Street  
Winston-Salem, North Carolina 27150-3099

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**WACHOVIA**

*TT&L*  
*037*

September 24, 1999

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

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

Dear Ms. Johnson:

This comment letter is being submitted on behalf of Wachovia Bank, N.A. and Wachovia Corporate Funding (hereinafter referred to as "Wachovia"). We appreciate the opportunity to respond to the Treasury Department's proposal to change the rate of interest paid on TT&L note balances.

Wachovia participates in the Treasury Tax and Loan Investment Program as a Class C, Note Option Depository, with Direct Investments (DI) being received under the same-day notice arrangement. If the Treasury changed the rate of interest paid on the Treasury Tax and Loan note balance from the Federal funds rate less 25 basis points to a volume-weighted average overnight repurchase agreement rate, Wachovia would consider either withdrawing from the DI program or reducing our maximum note balance. We would also consider changing from a same-day notice arrangement to a one-day notice arrangement.

Wachovia currently purchases overnight Federal funds below the published Federal funds rate. Our rates paid on overnight repurchase agreements (secured borrowings) are even less than the rates we pay for Federal funds purchased. If the Treasury's analysis is correct and the proposed repurchase agreement rate is only two basis points less than the published Federal funds rate, the proposed rate for the secured TT&L note would be higher than the rate we pay for unsecured Federal funds. Also, by participating in the DI program under the same-day notice arrangement, Wachovia believes it is foregoing a degree of flexibility compared to repurchase agreements exercised in the open market and should be compensated for this with a more favorable rate. The current rate arrangement is fair for both parties.

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Guaranteed term

The Treasury also expressed an interest in comments regarding the extent to which TT&L participants would be interested in obtaining TT&L note balances for a guaranteed term. Wachovia does not have an interest in obtaining TT&L note balances for a guaranteed term at this time.

We hope that these comments will be helpful in the Treasury's deliberations concerning the proposed regulation.

Thank you,

*John A. Kondracki*

John A. Kondracki  
Senior Vice President