



February 19, 2009

Jennifer J. Johnson
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Docket No. R-1350

Dear Ms. Johnson:

As a correspondent banker, I am strongly in favor of the establishment of excess balance accounts (EBAs) with the Federal Reserve Bank.

I agree that the disparity between the actual federal funds rate and the rate paid by the Reserve Banks on excess balances may be partly caused by the leverage incentives imposed on correspondent institutions to sell excess balances in to the federal funds market rather than maintaining those balances in an account at a Reserve Bank. The establishment and adoption of the EBA should help to restore normal market incentives, and hopefully stabilize the overnight funds market.

Allowing a correspondent to aggregate respondent funds in an EBA should benefit a large number of community banks by improving the interest rate of return passed through on fed funds.

Sincerely,

Elizabeth Woodruff
Vice President