



BANK DEPOSITORY USER

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September 11, 2000

Depository Trust Company
55 Water Street
New York, NY 10041
ATTN: Lawrence Gallaway, Managing Director

RE: GNMA Eligibility

Dear Mr. Gallaway:

The National Steering Committee of the Bank Depository User Group recently requested feedback from its members on the issue of moving settlement of the GNMA's to the FED. While the group is composed of over seventy (70) member banks from across the country, with their own unique organizational characteristics and interests, there was a consensus of opinion that the following issues need to be addressed before any changes are made.

- System capability at the FED does not include interim accounting, repo monitoring, or fail tracking
- A complete understanding of how the principal and income collections process will be handled with assurances that payments will not be delayed
- Time frames for any transitions need to be communicated so that member banks can make any needed system or procedural changes

Member banks encourage the leveraging of existing services and technology available via DTC and advocate a partnership between the Fed and DTC whenever appropriate, keeping associated costs to member banks in mind.

Sincerely,

Marc T Vance, Communications
Bank Depository User Group

cc: George Anderson, EVP, Government National Mortgage Association
Dara Hunt, SVP, Federal Reserve Bank of New York

*The Bank Depository User Group is comprised of seventy (70) member banks nationwide, a list of which is available by contacting BDUG's membership chairperson, Cynthia A. Schmitt, c/o Mellon Bank via e-mail to schmitt.ca@mellon.com